

# The African Development Bank Group in North Africa



African Development Bank

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## **in North Africa**





### **The African Development Bank Group**

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Published by:

African Development Bank (AfDB) Group  
Temporary Relocation Agency (TRA)  
B.P. 323-1002 Tunis-Belvedere, Tunisia  
Tel: (216) 7110-2876  
Fax: (216) 7110-3779

Design and Layout  
African Development Bank  
External Relations and Communication Unit  
Yattien-Amiguet L.

Printing  
Finzi Usines Graphiques

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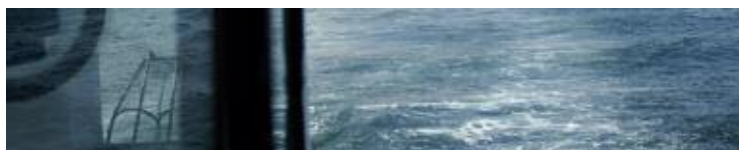
Website: [www.afdb.org](http://www.afdb.org)

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## Foreword



We are pleased to present the first regional report on the Bank's activities in North-Africa, setting out both an overview of our projects, in both private and the public sector, studies and strategy in the region. The financial crisis was a key event for 2009, which covers the dates of this report and presented us with an opportunity to show our relevance and responsiveness to our clients in North Africa.

The full extent of the crisis is still unfolding and its ramifications on the real economy have not yet fully occurred. The crisis fed into pre-existing vulnerabilities and the threat of a reversal of the economic and social progress hard-won over the last decade is real. However, the African Development Bank responded to the crisis through a combination of operational and policy interventions and the threat of reversal need not become reality if the Bank and other members of the international community continue to react appropriately.

In reaction to the crisis, a common framework of action was formulated, with the following broad objectives: to ensure the stability of our financial systems; to mobilize domestic revenues; to strengthen domestic capital markets; and to secure African representation in the G20 process. A committee of 10 African Ministers and central bank governors was formed to keep these issues under constant review and make recommendations to the international community. The Bank's swift reaction to the crisis was through increased lending capacity and the use of fast disbursing instruments. In 2009 alone, Bank approved operations equaled US\$ 12.5 billion, half of which targeted essential infrastructure development. Despite these exogenous shocks that impacted the continent in 2008-2009, and the sizeable response formulated by the Governments and the donor community, the Bank Group remained focused on its operational strategic priorities. The Bank's Medium Term Strategy for 2008-2012 calls for increased selectivity, with

greater quality and results in the priority areas of infrastructure, the private sector, governance, and higher education. Through investments in these areas, the Bank will contribute directly to regional integration – a major challenge and area of unexploited opportunities in North Africa – as well as in fragile states assistance, human development, and agriculture. Climate change and gender will be mainstreamed in all the Bank Group's operations as will knowledge generation – a major driver behind this report.

In the area of financial management, despite the challenging market environment, the Bank's prudent, proactive financial risk management policies and practices continued to yield beneficial results, with all three windows attaining a positive income. The Bank's AAA rating was reaffirmed by all major rating agencies for its senior debt, with a stable outlook. This reflects the strength of the institution, its sound capital adequacy, preferred creditor status, and solid shareholder support.

In parallel, and with the aim to better address country-specific needs, the Bank Group continued the ambitious decentralisation program started in 2004, most recently with the opening of the Algeria field office in February 2010. Going forward, field offices will continue to be instrumental in providing strategic assistance on the ground, strengthening existing relationships with countries through direct contact with Government officials, civil society, and private sector and non-Governmental organizations; improving dialogue; enhancing development effectiveness; and achieving measureable results. The Bank Group's experience in the North African region is an excellent example of a successful partnership.

Aloysius Uche Ordu  
Vice President for Operations I  
Country and Regional Programmes and Policy  
African Development Bank Group



## Preface



The countries of North Africa constitute a central part of the African continent and play a pivotal role in the African Development Bank.

These countries were instrumental in the creation of the ADB and are today contributing nearly 20 percent of the Bank's subscribed capital, currently totaling more than US\$ 33 billion. With such a significant contribution, they have, over the years, played a key role in the transformation and development of the ADB, and the definition of its strategic orientations.

North Africa's countries constitute a significant economic force across the African continent, with a combined GDP of more than US\$ 550 billion, or roughly 35% of Africa's total GDP, and 17% of its population. As such, the region is an economic powerhouse and has the potential to be a growth engine for neighboring countries as well as a force for integration with Europe and the much of the rest-of-the-world.

Recognizing this potential, the Bank Group has, since the beginning of its operations in 1966, consistently supported North African countries in their endeavors to develop and modernize their economies, and improve the living conditions of their people. As of December 2009, the Bank had financed in the region, nearly 400

operations to the tune of over US\$23 billion. These operations represent about 30 percent of cumulative loan and grant approvals for all member countries.

Further, cognizant of the region's evolving needs, the Bank Group is continually innovating its development approach in order to adapt its products, instruments and policies to the specificities of these countries. In particular, the Bank Group has strengthened its presence on the ground in most of these countries in order to facilitate and enhance dialogue, respond more efficiently to their priorities and better assist with their development challenges.

Taking full stock of this rich history, The African Development Bank in North Africa 2009 showcases the Bank Group's efforts in North Africa, providing insight into the evolution of a major development institution and its partnership with this strategic region of the world.

Jacob Kolster  
Director – Regional Department North I  
African Development Bank Group

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Director – Regional Department North II  
African Development Bank Group





## Acronyms

<b>ADB</b>	The African Development Bank
<b>ADF</b>	The African Development Fund
<b>AEO</b>	African Economic Outlook
<b>AFD</b>	French Development Agency
<b>AfDB</b>	The African Development Bank Group
<b>AFESD</b>	Arab Fund for Economic and Social Development
<b>AIDS</b>	Acquired Immune Deficiency Syndrome
<b>AMINA</b>	African Development Bank Initiative for Micro-Finance in Africa
<b>AMO</b>	Assurance Maladie Obligatoire
<b>AMU</b>	Arab Maghreb Union
<b>AVERROES-Paris</b>	Fund of Funds sponsored by CDC Enterprise and Proparco
<b>AWF</b>	African Water Facility
<b>BCI</b>	Banque pour le Commerce et l'Industrie
<b>BIO</b>	Belgian Investment Company for Developing Countries (BIO)
<b>BMC</b>	Basic Medical Coverage
<b>CDC Enterprises-Paris</b>	Caisse des Dépôts et des Consignations
<b>CEN-SAD</b>	The Community of Sahel-Saharan States
<b>CIMR</b>	Caisse Interprofessionnelle Marocaine de Retraite
<b>CNED</b>	Caisse Nationale d'Equipement pour le Développement
<b>COMESA</b>	Common Markets for Eastern and Southern Africa
<b>DPEF</b>	Directorate of Education and Training Projects
<b>DWS</b>	Drinking Water Supply
<b>DZFO</b>	Algeria Country Office
<b>EC</b>	European Commission
<b>EGFO</b>	Egypt Country Office
<b>EIB</b>	European Investment Bank
<b>EU</b>	European Union
<b>FAPA</b>	Fund for African Private Sector Assistance
<b>FIV</b>	Neighbourhood Investment Facility
<b>FMO</b>	The Netherlands Development Finance Corporation
<b>FPMEI</b>	Fonds pour les PME et l'innovation
<b>FSAP</b>	Financial Sector Assessment Program
<b>FSRP</b>	Financial Sector Reform Program
<b>FTA</b>	Free Trade Area
<b>GDP</b>	Gross Domestic Product
<b>GEF</b>	Global Environment Facility
<b>GoE</b>	Government of Egypt
<b>HDI</b>	Human Development Index
<b>HIV</b>	Human Immunodeficiency Virus

<b>IDB</b>	Islamic Development Bank
<b>IFC</b>	International Finance Corporation
<b>IRMS</b>	Integrated Resources Management Strategy
<b>ISSET</b>	Institut Supérieur d'Enseignement Technologique
<b>JBIC</b>	Japanese Bank for Investment and Cooperation
<b>KFAED</b>	Kuwait Fund for Arab Economic Development
<b>LEPC</b>	Libyan Export Promotion Centre
<b>MAFO</b>	Morocco Country Office
<b>MAPM</b>	Ministry of Agriculture and Maritime Fisheries
<b>MDBs</b>	Multilateral Development Banks
<b>MDG</b>	Millennium Development Goals
<b>MFI</b>	Microfinance Institutions
<b>MIC</b>	Middle Income Countries
<b>MLA</b>	Maghreb Leasing Algeria
<b>MoU</b>	Memorandum of Understanding
<b>MSE</b>	Micro and Small Enterprises
<b>MTS</b>	Medium Term Strategy
<b>MW</b>	Megawatt
<b>MWPP</b>	Multi-Donor Water Partnership Program
<b>NBE</b>	National Bank of Egypt
<b>NEPAD</b>	New Partnership for Africa's Development
<b>NGO</b>	Non Governmental Organisations
<b>NTF</b>	The Nigeria Trust Fund
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OPEC</b>	The Organization of the Petroleum Exporting Countries
<b>ORNA</b>	Country Regional Department North 1
<b>ORNB</b>	Country Regional Department North 2
<b>PADESFI</b>	The Financial Sector Development Support Program
<b>PAI</b>	Integration Support Program
<b>PARCOUM II</b>	The Medical Coverage Reform Support Program Phase II
<b>PISEAU II</b>	Water Sector Investment Project Phase 2
<b>PNDSE</b>	Education System Development Support Project
<b>PPP</b>	Purchasing Power Parity
<b>PRECAMF</b>	Project to build the capacities of Microfinance Stakeholders
<b>PRP</b>	Poverty Reduction Program
<b>RAMED</b>	Régime d'Assistance Médicale aux Economiquement Démunis
<b>RMCs</b>	Regional Member Countries
<b>RWSSI</b>	Rural Water Supply and Sanitation Initiative
<b>SESP II</b>	Secondary Education Support Project Phase II

<b>SFD</b>	Egypt Social Fund for Development
<b>SFD*</b>	Saudi Fund for Development
<b>SIFEM</b>	Swiss Investment Fund for Emerging Markets
<b>SME</b>	Small and Medium Enterprises
<b>SNIM</b>	National Industrial and Mining Company
<b>UA</b>	Unit of Accounts
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Program
<b>UPS</b>	Unified Power System
<b>USA</b>	United States of America
<b>USAID</b>	United States Agency for International Development
<b>WB</b>	World Bank



## The African Development Bank Group – Fast Facts

- **Mission:** To promote sustainable economic growth and reduce poverty in Africa
- **Founded:** 1963
- **Constituent Institutions:**
  - o The African Development Bank (ADB)
  - o The African Development Fund (ADF)
  - o The Nigeria Trust Fund (NTF)
- **Headquarters:** Abidjan, Côte d'Ivoire
- **Temporary Relocation Agency:** Tunis, Tunisia
- **Shareholders:**
  - o 53 African countries (regional member countries)
  - o 24 non-African countries (non-regional member countries)
- **President:** Donald Kaberuka
- **Total Employees:** 1,673
- **Field Offices:** 25
- **Authorized Capital as of December 31, 2009:** Unit of Accounts (UA) 22.12 billion (US\$34.72 billion)
- **11th ADF replenishment (2008-2010):** UA 5.67 billion (US\$8.9 billion)
- **Total Cumulative Approvals 1967-2009:** 3,414 loans and grants totalling UA 52.26 billion (US\$73.57 billion)

### As of March 2010 UA 1.00 is equivalent to:

United States Dollar	1.53
Euro (European)	1.13
Algerian Dinar	114.02
Egyptian Pound	8.42
Libyan Dinar	1.93
Moroccan Dinar	12.32
Mauritania Ouguiya	47.02
Tunisian Dinar	2.01







# Chapter 1

## Introduction







# The African Development Bank Group at a Glance

## Who We Are & What We Do



The African Development Bank (AfDB)<sup>1</sup> Group is the premier source of multilateral financing for the African continent. Established in 1963 as a Bank for Africans, by Africans, the AfDB's mission is to help reduce poverty, improve living conditions, and mobilize resources for the economic and social development of the continent's 53 countries.

### History of the African Development Bank Group

The AfDB was created in 1963, in Khartoum, Sudan, when 23 newly independent African countries signed the Agreement establishing the institution. In 1964, the Agreement came into force when 20 member countries subscribed to 65% of the Bank's capital stock of US\$ 250 million. Less than two years later, the institution opened its headquarters in Abidjan, Côte d'Ivoire, and officially began operations in 1966.

African member countries provided all of AfDB ordinary capital during the first two decades. In 1982, membership was opened to include non-African countries, enabling a capital increase from about US\$ 2.9 billion in 1982 to US\$ 6.3 billion in 1983.

Since its inception, the Bank Group has provided more than UA 52 billion in development assistance to its regional member countries. With more than 3,500 operations to

date, Bank Group projects have transformed the continent's infrastructure, connecting countries and crossing borders. Bank Group projects have increased the level and quality of education, planting the seeds and augmenting the depth of Africa's growing financial sectors, and providing the continent with a chance to compete in an increasingly global community.

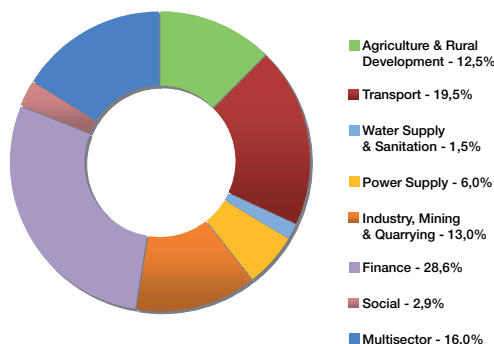
The Bank Group's compelling achievements have helped it to build its image and credibility in international financial markets, while making possible its AAA ratings from major international rating agencies. These ratings reflect the AfDB's strong shareholder support, preferred creditor status, sound capital adequacy, and prudent financial management and policies.

In its efforts to help reduce poverty across the continent, the Bank is currently operating in line with its 2008-2012 Medium Term Strategy, a strategic framework that provides guidance and sets direction for the Bank at a critical time for Africa. Focusing the Bank Group's efforts on infrastructure, private sector development, higher education, and governance, the Medium Term Strategy allows the Bank to respond to the continent's changing needs and circumstances. In order to maximize its focus and effectiveness, while positioning itself to better contribute to regional integration efforts, middle income countries, and fragile states assistance, as well as human development and agriculture, the Bank Group is emphasizing operational selectivity. Knowledge generation, climate change, and gender are also being mainstreamed in Bank operations.

<sup>1</sup> The African Development Bank Group (AfDB or Bank Group) consists of three related but financial independent institutions : African Development Bank (ADB); African Development Fund (ADF); and Nigeria Trust Fund (NTF). Hereafter, references to the "Bank" refer to the Group at large.



### Cumulative Bank approvals by Sector (1967-2009)



Source: AfDB Statistics Department, Economic and Social Statistics Division.

The Medium Term Strategy has proved crucial. During the food and fuel crises that commenced in 2007, and the financial crisis which affected the continent a year later, the Strategy enhanced the Bank's capacity to deliver. Indeed, the institution's Medium Term Strategy enabled it to respond swiftly to crisis-related needs by accelerating and restructuring ongoing programs; advancing the approval of new projects; and making greater use of fast-disbursing instruments<sup>2</sup>. At a moment when global credit was contracting at an unprecedented rate, the Bank established an Emergency Liquidity Facility, with a US\$ 1.5 billion budget, as well as a US\$ 1 billion Trade Finance

Initiative to support trade finance by African banks. In 2009 alone, Bank Group approvals for loans and grants reached an unprecedented UA 8 billion (US\$ 12.5 billion), reflecting the Bank Group's quick, effective, and efficient response – actions made possible by a Strategy that will continue to benefit Bank operations in the long term.

## How We Are Financed

In its efforts to combat poverty and promote social and economic development, the Bank operates through three related, but financially independent institutions: African Development Bank (ADB), African Development Fund (ADF), and Nigeria Trust Fund (NTF).

The ADB is the parent organization of the Bank Group, comprising 77 member countries, including 53 regional countries, and 24 non regional countries. Together, the Bank's 77 members subscribe to its authorized share capital, which, as of December 2009, stood at UA 22.12 billion (or US\$ 34.72 billion).

The ADB provides financing to 16 of the Bank's regional member countries (13 of which are middle income and three "Blend")<sup>3</sup>. Through the ADB lending window, the Bank uses the capital provided by its shareholders as the basis on which to borrow from the financial markets, and then on-lends these resources to eligible regional member countries. In essence, ADB funding helps middle income and blend countries to access critical development financing at competitive rates, which might otherwise not reach them.

<sup>2</sup> Examples of such responses include: reallocating resources from specific projects towards activities that could increase agricultural production in the short term (e.g., the purchase of fertilizer) during the food crisis, while improving rural infrastructure and increasing Nerica rice production in the long term, among other measures.

<sup>3</sup> For operational and analytical purposes, the ADB Group classifies economies by their gross national income (GNI). Based on GNI per capita, countries are classified as low (2008 GNI US\$975 or less) or middle income (2008 GNI US\$ 976 or more). Middle income countries include: Algeria, Botswana, Egypt, Equatorial Guinea, Gabon, Libya, Mauritius, Morocco, Namibia, Seychelles, South Africa, Swaziland, and Tunisia. Blend countries, in turn, are ones whose income qualifies them for ADF funding (which is only accessible to low income countries) and whose international credit worthiness qualifies them for ADB financing; these countries include: Cape Verde, Nigeria, and Zimbabwe.

### Multilateral Development Banks

Multilateral Development Banks (MDBs) are institutions that provide financial support and technical assistance for economic and social development activities in developing countries. The term typically refers to the four regional development banks – the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank – and the World Bank Group. MDBs are characterized by a broad membership, including borrowing developing countries and developed donor countries, both within and outside of the institution's region.

The MDBs provide financing for development through:

- Long-term loans based on market interest rates. To fund such loans, MDBs borrow on the international capital markets and re-lend at very competitive rates to borrowing governments in developing countries.
- Very long-term loans (often termed credits), with well below market interest rates. These are funded through direct contributions from governments in donor countries.
- Grant financing is also offered by some MDBs, mostly for technical assistance, advisory services or project preparation.

Several other banks and funds that lend to developing countries are also identified as multilateral development institutions. They differ from MDBs due to their narrower ownership/membership structure or their focus on special sectors or activities

Over the past 40 years, for example, the ADB has :

- **Promoted** financial sector reforms in Morocco, strengthening the micro-credit sector and improving access to finance for women who constitute 66% of micro-credit beneficiaries;
- **Helped** to provide credit in agricultural development for roughly 12,000 men and women in rural parts of Egypt; and
- **Added value and improved competitiveness** : the Bank's loan to a Djiboutian cereals facility has improved turnaround time in the storing and processing of cereals, empowering local and indigenous companies, creating new business opportunities, and supporting regional integration efforts.

ADF funds in turn, provide concessional loans and grants to finance projects and programs, as well as technical assistance for studies and capacity building activities,

in 40 low income African countries – comprising nearly 80% of the continent's population. ADF loans are interest free, repayable over a 40 year period, and carry minimal service charges. As such, the 24 donor countries replenish ADF funds every three years<sup>4</sup>.

Through its projects completed between 2006 and 2008, the ADF has for example:

- **Built** more than 12,800 km of paved and feeder roads, giving more than 41.5 million people improved access to transportation;
- **Rehabilitated** 3,600 wells, 230 km of pipes and 15,900 latrines, providing an additional 1.7 million people with access to clean water and sanitation;
- **Built** 400 health centres, and trained 8,000 health workers, improving access to health services for 13 million people; and
- **Constructed** 11,500 classrooms/facilities to provide education for 11.2 million newly enrolled students.

<sup>4</sup> These include : Argentina, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Japan, Korea, Kuwait, Netherlands, Norway, Portugal, Saudi Arabia, Spain, Sweden, Switzerland, the United Kingdom and the United States of America. The United Arab Emirates is also a State Participant, bringing the total to 25 non-State participants; however it is not a non-regional member country of the Bank Group.

<sup>5</sup> These funds include : Water Facility (AWF), Rural Water Supply and Sanitation Initiative (RWSSI), Multi-Donor Water Partnership Program (MWPP), NEPAD-Infrastructure Project. Preparation Facility (NEPAD-IPPF), the Fund for African Private Sector Assistance (FAPA) and Congo Basin Forest Fund.

For its part, the Nigeria Trust Fund (NTF) supports development projects for the Bank's poorest members, as well as areas such as inter-African trade and financial services. Established in February 1976, NTF is a special fund administered by the Bank on behalf of the Nigerian government, whose resources and assets are not consolidated with those of the African Development Bank or the African Development Fund.

Regional member countries can also benefit from special sources of funding—including multi-donor thematic funds, bilateral trust funds, and co-financing agreements with ADB development partners—which provide opportunities for technical assistance and capacity building. Bank multi-donor funds included 62 new approvals in 2009 alone, totalling roughly UA 61.3 million, and covering areas from water and rural sanitation, to infrastructure<sup>5</sup>. Bilateral funds also saw a similar increase in approvals, with 65 proposals approved in 2009, a 57% increase in volume from the previous year. The Bank currently hosts nine co-financing projects.

Going forward, the Bank aims to become the “Premier Knowledge Bank for Africa,” cementing its role as a leading change agent for sustainable socio-economic development to the continent. Recognizing the importance of generating, mobilizing, sharing, and applying knowledge, the Bank is undergoing reforms to deepen its analytical capacity, build partnerships, and increase collaboration with universities, think-tanks, and relevant external institutions. The Bank will also continue to enhance knowledge dissemination and sharing, and continually apply the knowledge it generates to strengthen its operational and development effectiveness.



## Improving Responsiveness and Engagement: Bank Group Decentralization and Structural Transformation



The African Development Bank (AfDB) Group is committed to serving its regional member countries and addressing their most pressing development challenges. For the Bank, such a vision requires the provision of timely, innovative, effective services, and an ability to adapt to a country's changing needs.

With this objective in mind, the Bank has undergone two comprehensive reforms – increased decentralization and fundamental organizational changes – to improve dialogue, be more strategic, and more reactive.

First, the Bank has worked to get closer to its clients through an ambitious decentralization program. In 1999, the AfDB, then operating only from its headquarters, opened three field offices and one regional office on a pilot basis. Pilot offices were a way to establish a country presence, and served as extensions of the management structure at headquarters. They supported project implementation; participated in country dialogue; and helped with project execution (such as procurement and disbursement activities, or strategy preparation).

Field offices have proved extremely successful. They allow the Bank to tap into the pulse of a nation – to know more, do more, and be more effective. Such was the case that the Bank surpassed its initial goals, opening 25 field offices, including four regional offices, in the last six years alone.

Secondly, the Bank complemented its decentralization agenda with comprehensive organizational changes. Specifically, this entailed shifting from a purely sector-oriented approach, to one that combined sector and country strategies. In this manner, 2006 witnessed the creation of nine Regional Departments<sup>6</sup>, which operate from the institution's headquarters and in coordination with field offices. These departments are empowered to drive country strategies and translate them into concrete programs and outputs, under the guidance of multi-disciplinary country teams. They also benefit from a cadre of knowledgeable experts, including directors, country and lead economists, and country program officers, who enlighten the work produced therein. In essence, Regional Departments serve as guarantors that Bank operations

reflect each country's subtle idiosyncrasies – and that development priorities are driven by what is needed, when it is needed.

In parallel, the Bank has heightened its sector approach to reinforce and augment high quality technical support, while promoting knowledge-sharing throughout the continent. In this respect, the Bank Group created two parallel Vice Presidencies to deepen sector experience and improve project implementation<sup>7</sup>. In this manner, operations benefit from solutions generated by Bank Group activities throughout the continent. One conduit for the delivery of this support has been the assignment of sector specific staff in field offices that will provide targeted support to respective governments and Bank Group operations.

### Bank Group Regional Departments

The Bank has divided the continent into 9 Regional Departments.

Two are responsible for operations in North Africa:

- ORNA (Egypt, Libya, Tunisia)
- ORNB (Algeria, Morocco, Mauritania)

Bank reforms have led to a better, more tailored, and a client-focussed approach that benefits from sector experience gained in other countries. Through this process, Bank operations are driven by Country Strategy Papers that reflect cogent sector needs, and are complemented through rich field office dialogue, which benefits from daily interactions with governments, civil society, and private sector organizations. Bank operations are now more strategic, meeting country needs based on allocated resources.

These reforms will continue to be strengthened in the future. The Bank Group is planning to further define the roles of its headquarters and field offices to intensify their full integration; further tailor sector staffing to meet country specific circumstances; and ensure that lead responsibility for key assignments is provided when and where necessary. With a much strengthened presence on the ground, the Bank seeks to improve dialogue; enhance development effectiveness; and achieve measureable results.



<sup>6</sup> In addition to the creation of 9 Regional Departments, the Bank Group also created three parallel Vice Presidencies to intensify country focus, deepen sector experience, and improve project implementation. These include : Country and Regional Programs and Policy; Sector Operations; and Infrastructure, Private Sector, and Regional Integration.

<sup>7</sup> Sector Operations Vice Presidency includes: agriculture & agro industry; human development ; governance, economic & financial reforms; fragile states; gender, climate & sustainable dev. The Infrastructure, Private Sector, and Regional Integration Vice Presidency comprises: infrastructure ; private sector; water and sanitation; NEPAD, regional integration and trade).







# Chapter 2

## Regional Overview



الصويرة 181  
ESSAOUIRA

أكادير 212  
AGADIR



## Bank Group in North Africa



North African countries hold a significant place in the Bank Group's history: all were present in Khartoum, Sudan, when newly independent African countries gathered to discuss the creation of a premier financial institution for Africans, by Africans. All signed the Agreement establishing the Bank in 1964<sup>8</sup>, and all, with the exception of Libya, subscribed to the Bank's capital stock, contributing upwards of US\$80 million (or about 40%) in funds so that operations could begin in 1967. Such a significant contribution placed North African countries in a strategic position to play a key role in the management of the institution's affairs in its formative years. While the AfDB's capital structure has changed with the admission of non-regional member countries in 1982, North African countries held roughly 18% of the total subscribed stock as of January 2010 and continue to play an important role in the Bank Group.

### Bank Operations

North Africa's early-on commitment to the Bank Group, coupled with its strong economic position, has made it the leading client and largest beneficiary of AfDB support. Indeed, Morocco, Tunisia, and Egypt are the Bank's 1st, 2nd and 3rd largest beneficiaries.

As of December 2009, the Bank Group provided nearly 400 public and private sector loans and grants in North Africa, totalling about UA 15 billion, and representing nearly 30% of cumulative loan and grant approvals for all member countries.

Among North African countries, the major beneficiaries of Bank financing have been Morocco (34%), Tunisia (28%), Egypt (21%) and Algeria (14%). Since its inception:

<sup>8</sup> Libya, while present at the 1963 conference, only ratified the Agreement eight years later.



- Algeria has had 39 operations, totalling UA 2.05 billion;
- Egypt has had 83 operations, totalling UA 3.12 billion;
- Libya has had 1 operation, totalling UA 480,000;
- Mauritania has had 62 operations, totalling UA 570 million;
- Morocco has had 112 operations, totalling UA 5.12 billion; and
- Tunisia has had 100 operations, totalling UA 4.16 billion.

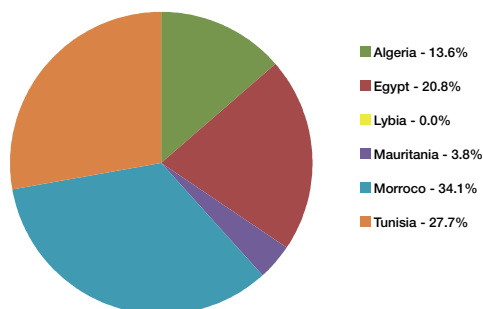
#### First Operations Commenced :

- 1968: Tunisia
- 1970: Morocco
- 1971: Algeria
- 1972: Mauritania
- 1974: Egypt

The Bank Group has also financed six regional operations: four targeting the Arab Maghreb Union (AMU) and two targeting the ARGAN Infrastructure Fund and Maghreb Private Equity Fund.

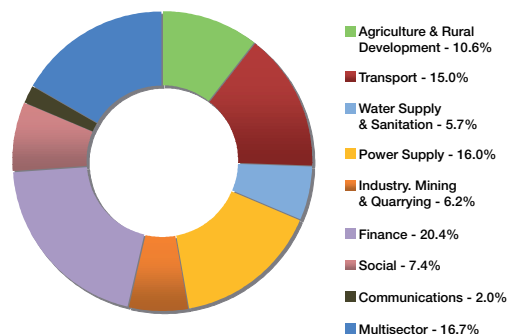
As of December 2009, Bank Group loans and grants have predominantly supported infrastructure and financial sector deepening.

#### Cumulative Bank Group Loans & Grants by Country in North Africa (1968-2009)



Source: AfDB Statistics Department, Economic and Social Statistics Division.

#### Cumulative Bank Approvals by Sector in North Africa (1968-2009)



Source: AfDB Statistics Department, Economic and Social Statistics Division.

## North Africa's Current Social and Economic Outlook

Today, with a combined GDP of more than US\$ 550 billion, accounting for about 35% of the total GDP of African countries, and 17% of the continent's population (167 million people), the six North African countries constitute a significant economic force on the continent. Mainly composed of middle-income countries with income per capita ranging from US\$1,800 (Egypt) to approximately US\$ 11,500 (Libya), most North African countries enjoy relative access to financial markets, and experience manageable external account deficits or large account surpluses (Libya and Algeria).

The drivers of growth show starkly different patterns in the six countries. To a large extent, the strength of the Libyan and Algerian economies rests on the nationally-owned extractive sector (76% and 47%, respectively, of GDP), while Morocco, Egypt, and Tunisia have more diversified economies, including manufacturing and tourism, among other sectors. Mauritania's extractive industry has seen an increasing role, accounting for more than 25-30% of GDP. With a strong outward oriented

market, North Africa sees Europe as its preferential trade partner. With major reforms underway, greater harmonization among the regions is not unlikely. Growth in the region has been supported by a mostly stable political environment.

The region's relatively strong economic performance has had noticeable spill-overs into social development, with North Africa as a whole enjoying some of the highest human development indicators on the continent. For instance, Libya has the highest U.N. Human Development Index<sup>9</sup> in Africa, while Algeria is significantly increasing access to basic education, and Morocco is witnessing increasing life expectancy and declining infant mortality rates. Nevertheless, one of the greatest challenges facing the region is high levels of youth unemployment.

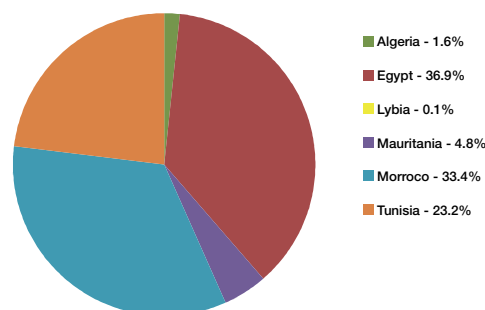
## Thrust of Bank Operations

Currently, Bank Group operations are cast against the backdrop of North Africa's specific economic, social and regional needs. Although dominated by middle income countries with relatively good access to capital markets, the region still needs substantial investments in infrastructure and private sector development in order to propel broad-based and sustained economic growth. Moreover, capacity building, advisory services, and improved banking information systems in the sub-region are also benefiting from Bank Group support. Like the other parts of the continent, there are still substantive human development needs that must be addressed to ensure that quality of life improves and is evenly enjoyed by all. Bank operations thus reflect such specific needs, as well as the areas – which take into account national development plans and AfDB country strategy papers – in which it can have the greatest development impact.

Current operations are therefore very diverse, reflecting crosscutting themes and sectors. Bank operations include: technical assistance (Algeria, Libya); private sector development (Algeria, Egypt); social protection (Egypt, Morocco); governance (Morocco); infrastructure (Tunisia, Morocco); and water and sanitation (Mauritania).

As of December 2009, the Bank Group's portfolio in North Africa comprised 55 approved and ongoing operations, with a total net commitment value of UA 3.4 billion, 40% of which has already been disbursed, underlying the healthy status of the Bank Group's portfolio.

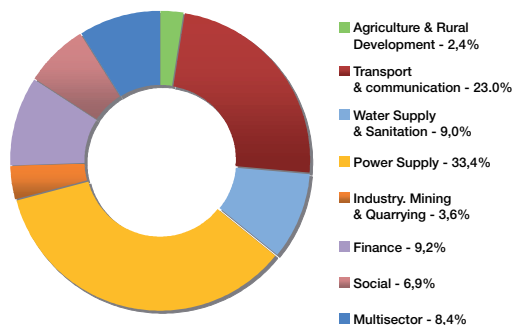
**Current Portfolio in North Africa  
Country allocation**



Source: AfDB Statistics Department, Economic and Social Statistics Division.

<sup>9</sup> As defined and created by the United Nations, the Human Development Index (HDI) is a summary composite index that measures a country's average achievements in three basic aspects of human development: health, knowledge, and a decent standard of living. Health is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio; and standard of living by GDP per capita (PPP US\$).

### Current Portfolio in North Africa Sector allocation



Source: AfDB Statistics Department, Economic and Social Statistics Division.

Clearly, energy, transport, and communication are the dominant areas for Bank Group lending. To a large extent, this reflects North Africa's growth performance and state of development – with demand for energy growing in parallel to meet household and private sector needs (industry, agriculture, tourism and transport). As these countries become increasingly integrated into the global economy, they will invariably face greater competition and a heightened need for connectivity with the rest of the world. This calls for infrastructure development and increased efficiency, especially in the areas of transportation and communications - roads, railways, air transport, etc

Equally important is integration at the regional level. Indeed, the Bank Group recognizes that regional integration is imperative to build markets and foster new opportunities for growth, job creation, and improved living standards, and that it contributes to competitive and diversified economies. The Bank Group has contributed to regional integration through institutional support and

technical assistance to various organizations at the regional level, particularly to the Secretariat General of the Arab Maghreb Union, equipping different regional bodies with the necessary skills and knowledge to fully play the role assigned to them in the integration process. The Bank Group's support to regional bodies is in line with its 2009-2012 Regional Integration Strategy, which places particular emphasis on strengthening the capacities of regional economic communities.

The Bank Group also contributes to regional integration by supporting private sector development. In 2008, this included investments of nearly € 20 million to the Maghreb Private Equity Fund, which strengthened selected small and medium enterprises in Morocco, Algeria, Tunisia and Libya in an attempt to transform them into stronger regional players. In 2010, the Bank also approved an equity investment of roughly US\$ 20 million in an infrastructure fund operating primarily in North Africa.

## A Knowledge Bank

For all its various operations – from finance to infrastructure, water and sanitation to agricultural development – the Bank Group remains committed to generating and purveying knowledge through technical assistance and economic and sector work. Bank Group technical assistance in the region covers a wide range of critical issues, including water and sanitation, social development, transport and communication, agriculture, and finance.

Currently, the Bank Group's ongoing portfolio of technical assistance and economic and sector work consists of 32 operations. With a total value of about UA 17 million, UA 3.15 million of which has been disbursed, the majority of this assistance (roughly 60%) has been split between Tunisia and Egypt, followed by Morocco (roughly 16%), Algeria (9%), Mauritania (roughly 6%) and Libya (roughly 3%).







# Chapter 3

## Country Focus





# Algeria



Membership year	1964
Start of lending operations	1971
Number of ADB operations approved, 1967-2009	36
Number of ADF operations approved, 1974-2009	3
Cumulative Bank Group Approvals in UA million, 1967-2009	2,054
Subscribed capital (%) as of December 31, 2009	3.988
Total voting power (%) as of December 31, 2009	3.934
Number of on-going operations	4
Total loan amount of ongoing operations in UA million	6.9
Number of newly approved operations	2
Total amount of newly approved operations in UA million	5.8

## People's Democratic Republic of Algeria

### Key Features

**A**lgeria, a North West African country with an area of 2.38 million km<sup>2</sup>, is the second largest country on the continent after Sudan and the tenth largest in the world. Algeria's physical features are highly uneven: over 38 thousand km<sup>2</sup> of Tellian and steppe-like zones are found in the North, while the desert to the South of the Saharan Atlas is dotted with gigantic ergs, covering 2 million km<sup>2</sup>. A Mediterranean climate prevails in the country's North and coastal areas, as well as the continental interior. To the South, the climate is tropical with vast temperature differences between day and night.

Algeria has, since 2000 consolidated its economic growth, with an average growth rate of 3.7% for the 2000-2009 period. While inflation has stabilized over the last 10 years, with an average rate of 3%, prices have risen in 2009, with inflation reaching 5.7%. However, it is expected to decrease to 3.5% in 2010. Strengthened by an average oil price of US\$ 99 per barrel in 2008 (despite a slowdown to US\$ 45 in 2009), the Bank of Algeria built up foreign exchange reserves amounting to almost US\$ 142 billion.

Oil and gas continue to dominate the Algerian economy. The sector accounted for nearly 46.7% of GDP in 2008 and 97.5% of export revenue. The country's oil and gas

reserves remained high: 43 billion barrels of oil equivalent, and nearly 5 trillion m<sup>3</sup> for gas. The public operator Sonatrach (Société nationale pour la recherche, la production, le transport, la transformation et la commercialisation des hydrocarbures) controls 43% of the national mining industry and 75% of extracted oil and gas.

Algeria has performed well in improving its social indicators and country perspectives to reach Millennium Development Goals indicators. Notable progress has been made with regard to access to basic education. For instance, gross enrolment rate for compulsory primary education (6-12 year olds) reached 111% in 2008 (114% for boys and 106% for girls), up from 96% in 2005. The gross enrolment rate in secondary education, in turn, reached nearly 83% in 2008. In higher education, the enrolment rate stood at 21.8% in 2008.

Algeria's human poverty index, which consists of indicators that include life expectancy, education, access to water, access to financial services and access to health care, has fallen from 24.7% of the population in 1998 to 18.9% in 2006. Life expectancy in 2008 was 75.7 years, against 67.3 years in 1995, representing the highest in the region.





Statement by Mrs. Assitan Diarra-Thioune

## Algeria Field Office Resident Representative



Algeria is a founding member of the African Development Bank Group (ADB), and still maintains a strong partnership with it. Indeed, Algeria participates in the Bank's institutional development through its substantial contribution to the share capital and active participation in the strategic direction of its policies.

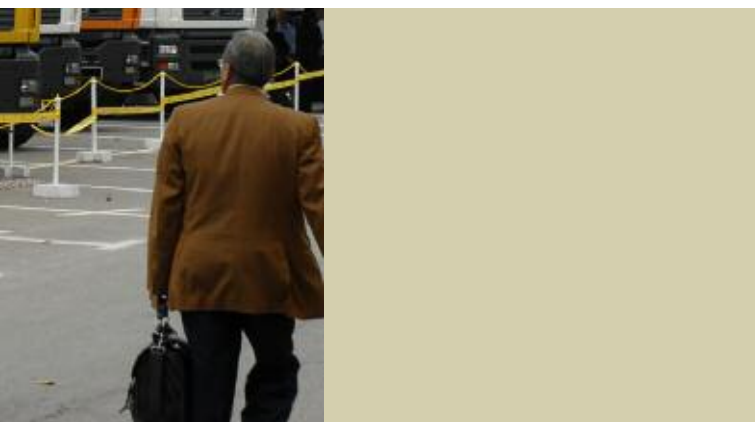
For nearly forty years of cooperation (1971-2009), the Bank has supported Algeria in the implementation of its comprehensive economic and social development program. Bank interventions have mainly targeted the implementation of major structural projects and reforms. Thirty-nine (39) operations have been approved for Algeria, mainly in the infrastructure sector to modernize transportation facilities, improve water resources management and supply, as well as energy distribution. Furthermore, it has supported reforms to improve the regulatory framework and strengthen public financial management. The Bank has also set up two lines of credit for the development of Algeria's industry and banking sector, thereby contributing to the promotion of small and medium sized enterprises (SMEs) and job creation. The Bank also supported the country's agricultural and social sectors.

The reform momentum supported by Algerian authorities has led to tangible progress. Indeed, the economy has

returned to sustainable growth. Macroeconomic balances are consolidated and the gross domestic product (GDP) grew at an annual average of 3.7% over the last decade. Moreover, Algeria continued to implement its strategy of prudent financial resources management and debt relief and, as such, proceeded to early repayment of its external debt in 2006.

Algeria and the Bank continue to work together to strengthen their partnership in support of priority objectives that the country has set as part of its broader program of economic and social development and reform, which aims to (i) accelerate economic growth, (ii) diversify the economy, (iii) improve the business climate and promote private sector (iv) support job creation, and (v) strengthen and consolidate the achievements in economic development and social progress. This strategic direction initiated under the first Five Year Plan (2004-2009) will be consolidated and strengthened through the implementation of the second Five Year Plan (2010-2014).

The opening of the AfDB country office in Algiers in February 2010 is in line with the implementation of the Bank's decentralization policy, which seeks to bring the Bank closer to its customers and main economic actors, as well as to better coordinate its activities with development partners. The office will: (i) strengthen and deepen the dialogue with different actors in order to allow the Bank to better focus its efforts on Algeria's priority needs, (ii) ensure close monitoring of Bank operations in order to improve their effectiveness, and (iii) support the identification and preparation of new operations, and evaluating their impact. The office also intends to maintain dialogue on issues relating to regional integration and initiatives to foster cooperation between countries in the region, and for which Algeria has always been the driving force.



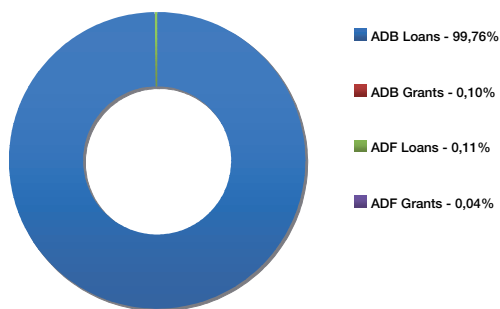


## Overview of Bank Group Operations in Algeria

Bank Group support to Algeria began in 1971. With 39 operations, estimated at UA 2.05 billion approved, Algeria has been one of the Bank's largest borrowers. Bank Group interventions in Algeria comprise mostly ADB loans (99.76%), ADF loans (0.11%), and ADB grants (0.10%) and ADF (0.04%) grants.

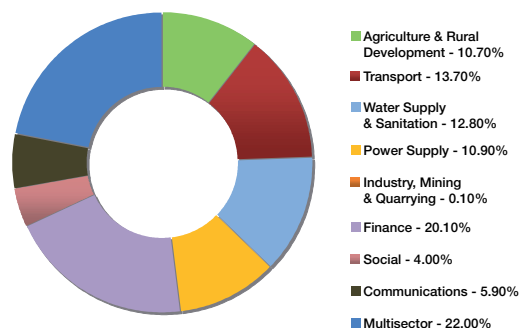
Historically, Bank Group activities mainly covered the infrastructure sector (transport, water and sanitation, communications and power supply) which consisted of 43% of total loans and grants approvals to Algeria. It is followed by multi-sector operations with 22%, finance sector 20%, agriculture and rural development sector 10%, as well as social and mining 5%.

**Cumulative Bank Group Loans & Grants by Institution in Algeria (1971-2009)**



year, the Algerian government adopted a framework on property management and the financing of farms. This is intended to encourage banks to accept agricultural assets (land, produce and equipment) as collateral for operating or investment credits. The government envisages that this will accelerate growth in the agricultural sector.

**Cumulative Bank Group Loans & Grants by Sector in Algeria (1971-2009)**



Since 1971, the Bank Group has approved six operations worth UA 219.4 million, geared at reducing food imports through increased agricultural and livestock production, and intensifying the renovation of irrigation infrastructure and extension of the irrigable area.

### Agricultural Sector and Rural Development

According to the African Economic Outlook (AEO-2009)<sup>10</sup>, the agricultural sector, which produces more than 6.5% of the country's wealth, grew by 1% in 2008. In the same

### Transport Sector

The 2009 AEO reports that large infrastructure projects will be undertaken in the areas of road, rail, ports, seawater desalination, power stations, dams, housing, etc. Algeria's

1,216 kilometer East-West motorway and its first metro line in Algiers will be opened by the end of 2010.

Furthermore, the Algerian government has drawn up a US\$ 18 billion plan to rehabilitate existing railway infrastructure and open new East-West and North-South lines. The government also plans to expand the railway network from 4,940 kilometers to 9,000 kilometers by 2014 and to increase the length of electrified lines from 350 kilometers to 1,200 kilometers by 2012 and 6,000 kilometers by 2025. The new deep seaport being built at DjenDjen, to be managed by the United Arab Emirates-based company Dubai Ports World, and the expansion of the ports in Oran, Algiers and Béjaïa should increase the number of containers that can be handled by the country's ports.

Since commencing operations in Algeria, Bank Group loan approvals in the transport sector have reached UA 280.6 million, accounting for 13.7% of Bank Group cumulative commitments in Algeria. Bank Group interventions have supported Algerian authorities in upgrading their transport sector through improved efficacy and quality of service, whilst promoting national (East, Centre and West regions) and regional (Maghreb) integration.

## Multisector Operations

Algeria has undertaken several economic reforms to promote its social and economic development in collaboration with the Bank Group and other development partners. Since the inception of Bank Group lending, the sector has benefited from five operations amounting to UA 451 million.

Through its multisector interventions, the Bank Group has supported Algeria to stabilize and pursue other efforts aimed at ensuring a sustainable level of the balance of payments while guaranteeing an adequate level of imports. These interventions also fostered private sector-

driven and labour-intensive growth, with a view to reducing unemployment and improving living standards. Additionally, these operations protected Algeria's most vulnerable groups through the transition period vis-à-vis the establishment of social safety nets and employment-related programs.

## Banks and Industry sector

The Bank has supported the Algerian banks through lines of credit, to enable them have more resources tailored to the needs of small and medium enterprises whose promotion is a government priority. These lines of credit, estimated at US\$ 650 million, have allowed beneficiaries banks (Banque de l'agriculture et du développement rural, Crédit Populaire d'Algérie) to support the creation, rehabilitation, expansion and modernization of production units, particularly in agricultural and agro-food industry. They have helped to stimulate economic activity and strengthen the private sector's role in the economy, thus promoting the modernization and diversification of the economy and job creation.



<sup>10</sup> The African Economic Outlook is an annual publication jointly produced by the African Development Bank and the OECD Development Centre, which analyses the comparative economic prospects for African countries.

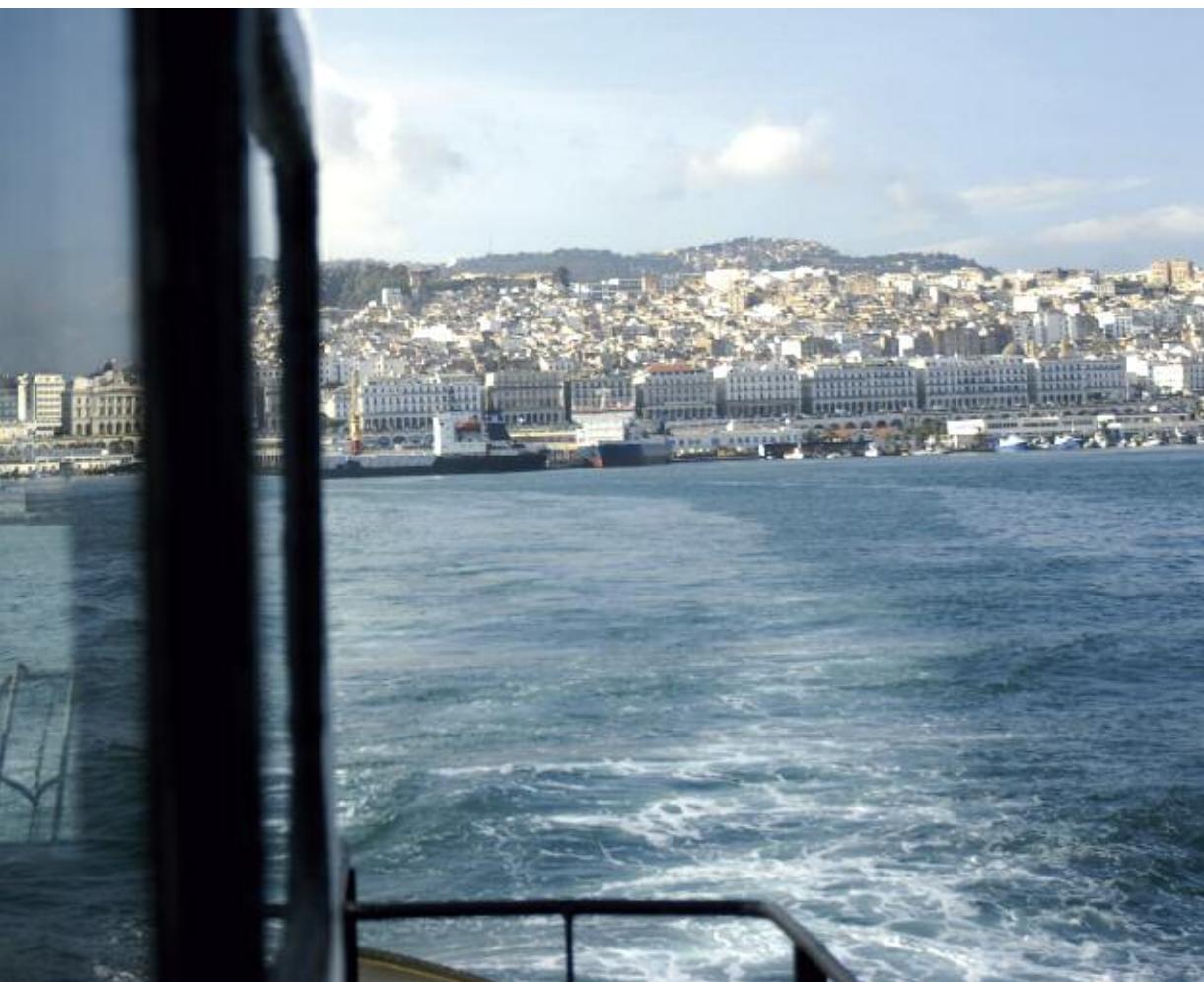
## Bank Group Strategy & Ongoing Activities in Algeria

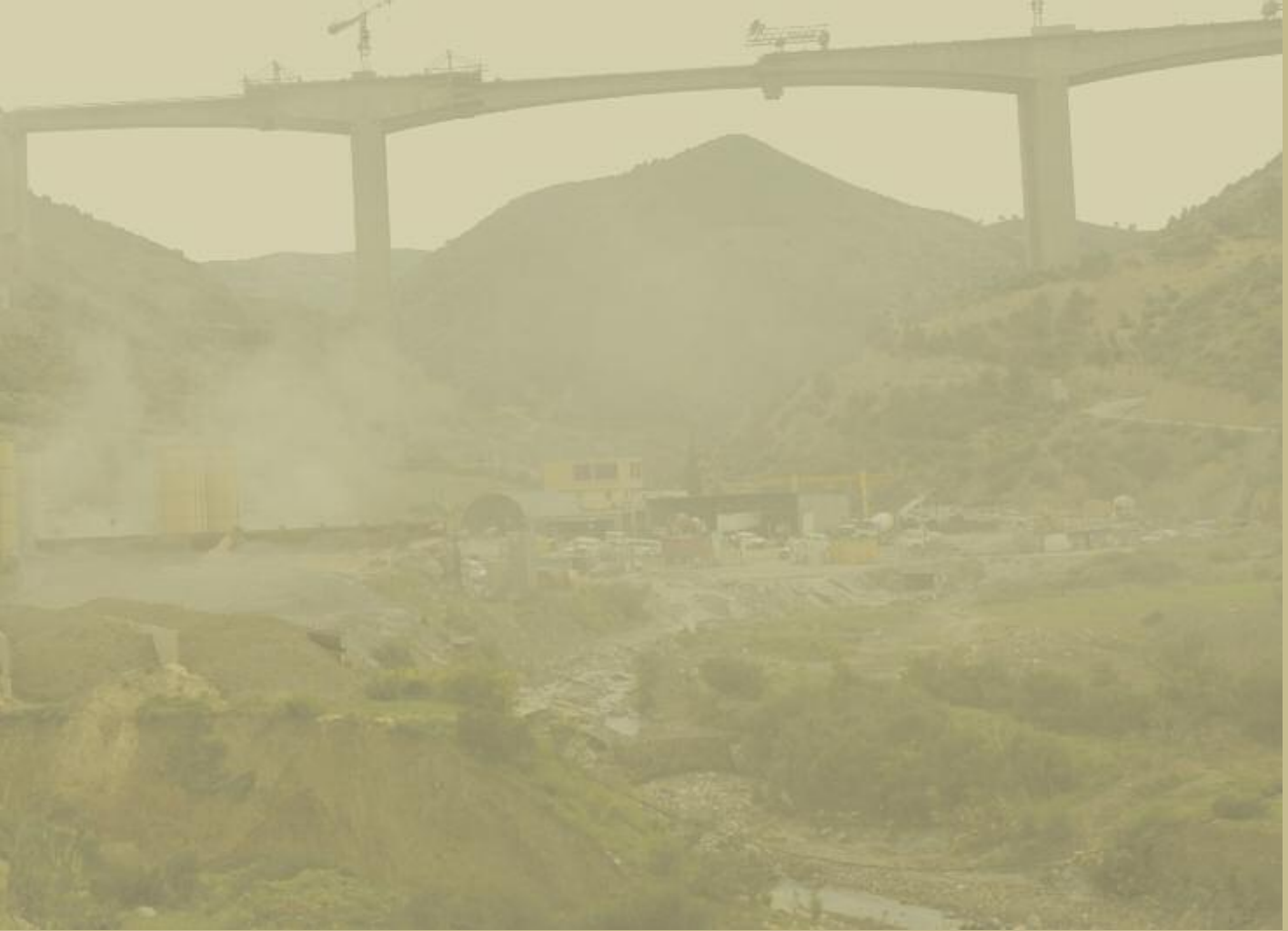
Current cooperation between the Bank and Algeria focuses on technical assistance, training and capacity building, economic and sector work and support to private sector development. This new strategic partnership between the Bank and Algeria is already reflected in the areas of project evaluation, electronic banking development as well as information technology and communication. In support of the private sector, the Bank approved in 2009 a guarantee to enable a leasing company, Maghreb Leasing Algeria (MLA), for an amount of UA 5.34 million, to mobilize resources from local financial institutions and to support the development of small and medium.

The Bank Group's ongoing portfolio in Algeria comprises three technical assistance operations financed with resources from the Middle Income Countries Trust Fund.

Total approvals under this fund stand at UA 1.62 million and include: the technical assistance Program for the National Development Equipment Fund (UA 600,000); the development of electronic banking (UA 494,800), both approved in 2007; and the Collaboration and Communication System Modernization Project in the Ministry of Finance approved in 2009 (UA 496,500).









# Project for Technical Assistance in Support of Caisse Nationale d'Equipement pour le Développement



<b>ADB MIC Grant</b>	UA 0.6 million
<b>Approval Date</b>	May, 2007
<b>Expected Completion Date</b>	June, 2010
<b>Location</b>	Algiers
<b>Executing Agency</b>	Caisse Nationale d'Equipement pour le Développement

## Objective and Description

The project has a two objectives:

- Organizing specialized training to build CNED (Caisse Nationale d'Equipement pour le Developpement) capacities for appraisal and monitoring of large-scale projects. More specifically, the project seeks to raise the level of expertise of CNED staff to: (i) review the identification dossiers for projects that are under the supervision of sectoral ministries or, by delegation, specialized national agencies or enterprises; (ii) review feasibility studies for large-scale infrastructure projects; and (iii) follow up implementation and conducting post evaluation of large-scale projects;
- Improving CNED information system by putting in place the documentary resources required for more effective qualitative evaluation of large-scale projects.

## Expected Outcomes

The project intends to:

- Reinforce CNED's analytical capacity to conduct economic, social & financial evaluation of large-scale projects;
- Reinforce institutional expertise on project monitoring and evaluation.



# Electronic Banking Development Project



<b>ADB MIC Grant</b>	UA 0.49 million
<b>Approval Date</b>	July, 2007
<b>Expected Completion Date</b>	December, 2010
<b>Location</b>	Algiers
<b>Executing Agency</b>	Ministry of Finance

## Objective and Description

The project is in line with the government's goal of modernizing the banking system, in particular, speeding up the development of electronic banking. The latter is seen as a key lever in consolidating the modernization of the payments system and also as a means of improving the transparency and traceability of inter- and intra-bank payment transactions.

This operation consists in implementing a study with two main components: (i) diagnosis through analysis of the current situation and identification of obstacles to development of electronic banking; (ii) design of a new architecture through the formulation of a cohesive and holistic solution, and a plan of action for the implementation of the proposed architecture.



## Expected Outcomes

The project intends to:

- Speed up electronic banking development in Algeria;
- Identify bottlenecks to electronic banking development for the development of a master plan;
- Propose institutional and organisational frameworks, regulatory texts and a marketing strategy for electronic banking development;
- Improve banking sector performance.



# Ministry of Finance Communication and Collaboration System Modernization Project



<b>ADB MIC Grant</b>	UA 0.49 million
<b>Approval Date</b>	July, 2009
<b>Expected Completion Date</b>	December, 2013
<b>Location</b>	Algiers
<b>Executing Agency</b>	Ministry of Finance

## Objective and Description

The overriding project objective is to modernize the Collaboration and Communication System of the Ministry of Finance, as part of the government's action aimed at upgrading and improving public service efficiency. The operation has been envisaged in two phases: (i) the first phase is the study to define the new architecture of the Ministry's collaboration and communication system; (ii) a second phase supports staff training initiatives to facilitate implementation of the new architecture.

## Expected Outcomes

The project intends to:

- Reinforce capacity and efficiency of the Ministry of Finance;
- Provide a communication system to answer the needs of a large decentralized institution;
- Favour exchange and dissemination of information among the different units of the ministry to support the implementation of the reforms.



## Maghreb Leasing Algeria (MLA)



<b>ADB Guarantee Loan Amount</b>	UA 5.34 million
<b>Approval Date</b>	April 22, 2009
<b>Location</b>	Algiers
<b>Executing Agency</b>	Maghreb Leasing Algeria (MLA)

### Objective and Description

- Increase the supply of credit to SMEs in Algeria.
- Develop the leasing portfolio of Maghreb Leasing Algeria (MLA) and partially cover MLA against exchange risk.

The partial guarantee of €6 million over 3 years to MLA will help the company to provide loans in Algerian dinars to a bank or to a consortium of local banks.

### Expected Outcomes

The project intends to:

- Reduced funding gap for SMEs
- Development of SMEs and increase their turnover
- Improve SMEs production capacity and productivity











# Egypt



Membership year	1964
Start of lending operations	1974
Number of ADB operations approved, 1974-2009	54
Number of ADF operations approved, 1974-2009	29
Cumulative Bank Group Approvals in UA million, 1967-2009	3,127.7
Subscribed capital (%) as of 31st December, 2009	5.127
Total voting power (%) as of 31st December, 2009	5.050
Total lending under the ADB window, 2005-2008 (%)	28
Number of ongoing operations	9
Total loan amount of ongoing operations in UA million	1,174.0
Number of newly approved operations	6
Total loan amount of newly approved operations in UA million	196.8

## Arab Republic of Egypt

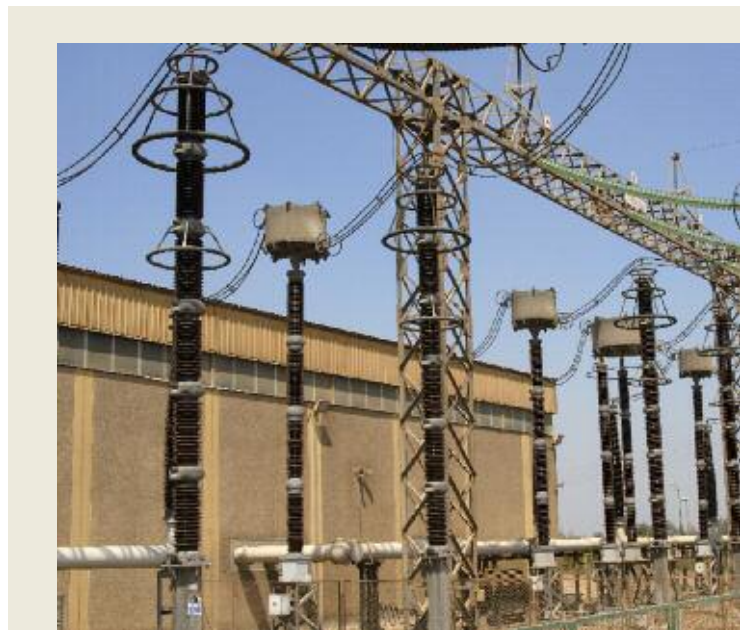
### Key Features

Egypt is located in North Africa, bordering the Mediterranean Sea and lying between Libya and the Gaza strip on the West and the Red Sea on the East. It is North of Sudan and provides the only land link between Africa and the Eastern Hemisphere. It has a total area of roughly one million km<sup>2</sup> of which 995,450 km<sup>2</sup> is land and 6,000 km<sup>2</sup> is water. Only 2.85% of Egyptian land area is arable.

The country consists essentially of a vast desert plateau cut through by the Nile Delta and the Nile Valley. It has Mediterranean climate characterised by dry hot summers and moderate winters. Its natural resources include petroleum, natural gas, iron ore, phosphates, manganese, limestone, gypsum, talc, asbestos, lead, and zinc.

The resilience of the Egyptian economy in the face of the recent global economic turmoil has been remarkable. Despite declines in FDI, tourism and Suez Canal revenues, GDP growth, in real terms, showed a less than severe weakening to 4.7% in 2008-09, from the rapid 7% average increase registered in the preceding two years. Growth is set to recover to more than 5% in 2009-10, spurred largely by robust activity in the information and communication technologies and construction sectors. Domestic demand has been sustained by strong fiscal stimulus packages targeting infrastructure spending and by an easier monetary policy.

Egypt has, in recent years, witnessed progress in efforts at reducing poverty. The government's five-year plan (2007-12) aims to reduce poverty to 15% by 2011-12 and to narrow the disparities between Lower and Upper Egypt and rural and urban areas. To this end, a "poverty map" has recently been drawn to determine the country's most vulnerable areas and groups. Based on this map, the government has adopted two innovative programs to direct resources to the villages and people in greatest need: geographic targeting and supporting the most vulnerable families.



Statement by Mr. Khushhal Chand Khushiram

## Egypt Field Office Resident Representative



The Bank has enjoyed a privileged relationship with Egypt, progressively building, over the years, one of its leading country portfolios. Reflecting Egypt's development priorities and the Bank's strategic objectives, the Bank is actively involved in financing infrastructure and private sector development, mainly covering the power, water and sanitation, and financial sectors, and also providing support to SME's and small farmers.

The impressive economic and business reforms initiated since 2004 have taken Egypt into the league of high-performing middle-income countries, and opened new and expanded opportunities for Bank engagement. The Bank's participation in the 2005-2008 financial sector reform program, for a record-size development budget support loan of US\$ 500 million contributed significantly to the banking sector's consolidation and the strengthening of country's financial soundness and stability. With electricity demand rising by 7% annually in recent years, the Bank is currently co-financing three new power projects to increase generation capacity by a total of 3,350 MW, in support of socio-economic development. The Bank is committed to supporting government reform policies, projects and programs that add value, uphold the drive for higher economic growth, and lessen the burden of poverty.

The Bank remains a close development partner as Egypt continues to address its numerous development challenges. Subduing inflation, tackling unemployment, and containing the mounting pressures on the fiscal deficit and the external balance, stand out as clear macro-economic imperatives. The country will also need to press ahead with fundamental reforms that raise economic efficiency and enhance external competitiveness in order to maintain higher growth momentum, and provide sustainable social protection.

As the economy rebounds, the existing sizeable gaps in infrastructure financing will increasingly be met through recourse to public-private partnerships, which are being

successfully promoted under a government-led program. The Bank is well placed to take advantage of these numerous investment opportunities in the coming years by offering long-term resources at competitive terms, and operating with greater synergy under both its sovereign and private sector windows.

Egypt is reinforcing its economic ties and cooperation with the rest of the continent, particularly with its southern neighbours, and is aiming at the business prospects for increased investments and exports to Comesa and other African markets. The Bank will actively espouse the potential for upcoming cross-border investment projects that advance regional economic integration.

The Bank is fully conscious that as a borrowing client, Egypt expects excellence in service delivery, enhanced responsiveness and flexibility, for the timely and successful execution of Bank-funded projects and programs. The Bank is set on a relentless drive to upgrade the efficiency of its business processes and emphasize portfolio management based on achieving results. The Egypt field office, in particular, is continually striving to match the highest standards of portfolio quality and performance to deepen country strategic dialogue and the development effectiveness of Bank interventions through active partnership with Egyptian authorities, primarily through the Ministry of International Cooperation. The field office also collaborates closely with development partners and other stakeholders to facilitate harmonization and aid effectiveness.

As the Bank intensifies its decentralization program through greater customization and broader delegation of authority, the Egypt field office will become better equipped to extend a more client-oriented service in line with the country's portfolio, which comprises a number of large-size projects, and in line with the specialized needs of key economic sectors.





## Overview of Bank Group Operations in Egypt



Egypt was one of the founders of the African Development Bank Group in 1964. As a key Bank Group partner, the country's mutual cooperation with the continent's leading development finance institution has grown considerably over the years. Egypt is also the Bank Group's 3rd largest borrower. Its Cairo country office continues to enhance the institution's dialogue and effectiveness in the country.

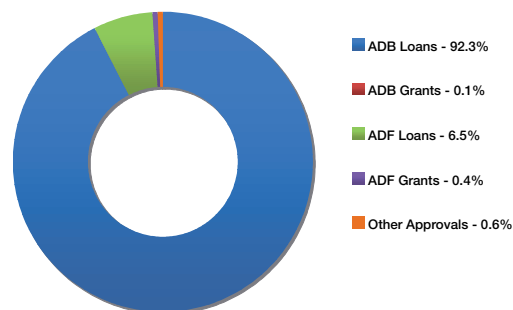
Since starting lending operations in 1974, the Bank Group has, as of December 31, 2009, approved 83 operations, representing a total net commitment of about UA 3.12 billion., 92.3% of this amount is made up of ADB loans, 0.1% ADB grants, 6.5% from ADF loans, 0.4% ADF grants and 0.6% other approvals.

Cumulatively, the Bank-financed operations cover mainly the power supply sector, which represents about 44.1% of the portfolio's net commitment, followed by the finance sector which takes up 29.8% of portfolio resources. The social sector accounts for 7.3%. Multi-sector operations, comprising mainly public sector management, export promotion and industrial import represent 5% of net commitments. The agricultural and rural development sector took up close to 5% of portfolio resources. The transport and industry, mining and quarrying sectors account for less than 8% of the portfolio. Lastly, the water and sanitation and communications sectors represent less than 2% of the Bank's net commitments.

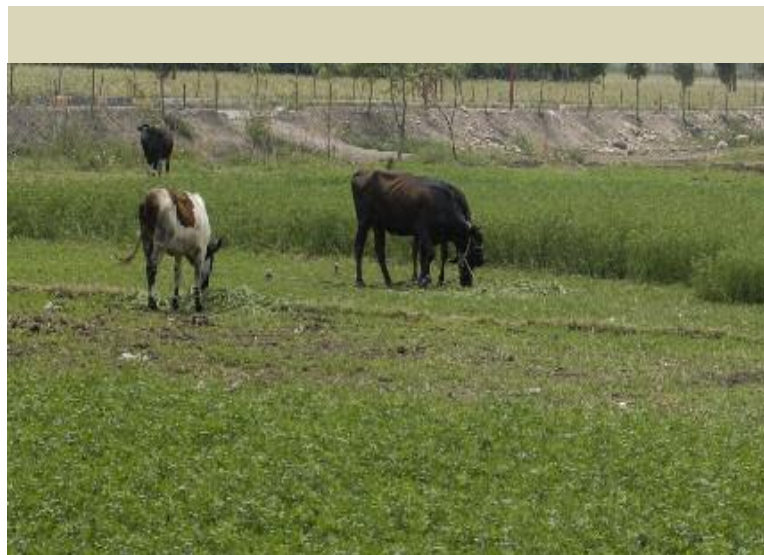
### Energy/Power Supply sector

Continuous and reliable supply of electricity is required for Egypt's socio-economic development. With a highly urbanized population and a high growth electricity demand, a systematic expansion of the electricity generation facilities and other infrastructure developments are imperative to cope with household demand. At the same time, economic growth will hinge on the provision

**Cumulative Bank Group Loans & Grants by Institution in Egypt (1974-2009)**

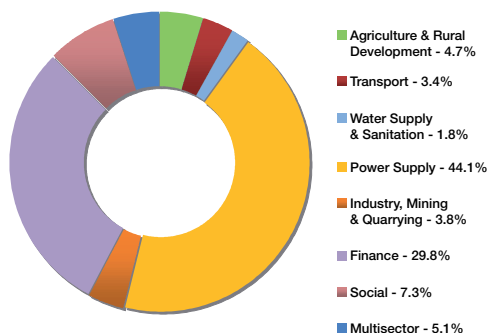


of adequate and reliable power to vital sectors like industry, agriculture, tourism and transport sectors, to which the government gives high priority. Against this background, the Egyptian government has made the expansion of electricity infrastructure, including





**Cumulative Bank Group Loans & Grants  
by Sector in Egypt (1974-2009)**



generation, one of its priorities under its Sixth (2007-2012) National Development Plan, which outlines the country's development agenda over coming years.

Since 1974, the Bank Group has financed 17 operations in the energy sector, 14 of which are fully completed. Bank Group interventions are aimed at ensuring that Egypt achieves its goal of expanding its electricity supply by no less than 7% annually and making it available at a minimum cost to various economic sectors in order to promote growth. The Bank has recently invested in three

ongoing projects: the El Kureimat Combined Cycle Power Plant Project (Module III); the Abu Qir 1300 MW Steam Power Plant Project; and the Ain Sokhna 1300 MW Steam Power Plant Project. These projects represent a cumulative lending amount of UA 665.4 million, accounting for about 50.5% of the active portfolio's net commitment value.

## Financial Sector

The Egyptian financial sector comprises the banking and the non-bank financial sector, the latter includes the insurance, mortgage, capital market, and other financial services, such as leasing and venture capital. Microfinance institutions are also gradually becoming integrated into the financial sector. The sector has a major role to play in stimulating development in the country, particularly that of the private sector. The average annual compound growth rate of financial system assets was 14.6% during the period 2001–2005, significantly above the year-on-year GDP growth rate. The financial sector has contributed, on average, between 5 to 6% to GDP over the past six years. The sector has been one of the main beneficiaries of the government's economic reform and liberalization policies implemented since the early 1990s. This period has seen an appreciable institutional strengthening of the financial system.

The Bank has, since 2006, supported the government's financial sector reform program, with the largest loan ever approved for an ADB-borrower of US\$ 500 million. This program, co-financed with the World Bank and USAID, and including privatization and bank divestiture, has reduced concentration and improved performance of Egypt's banking sector, making it more efficient and responsive to private sector needs.

## Social Sector

To date, the Bank has financed 19 operations in the social sector, comprising six projects in education, seven in health, two in poverty alleviation and microfinance and



two in gender, population and nutrition sub-sectors. Bank Group operations in the social sectors have had a positive impact on the Egyptian economy. In particular, health sector operations have resulted in greater accessibility to health services by the country's population.

## Multi-sector

The current portfolio comprises two multi-sector operations. The Bank's current loan and technical assistance to the sector are intended to facilitate the development of Egypt's franchising finance market. This includes capacity building, institutional development, as well as fostering the necessary business climate to ensure that the franchising sector will grow, and aims to provide access to capital for first-time entrepreneurs.

## Agriculture and Agro-Industry Sector

The Bank is currently financing two studies in the irrigation and water resources management sub-sector. Each study is being conducted with a Middle Income Country (MIC) grant of UA 600,000 each. There are also a number of projects in the pipeline aimed at improving agricultural productivity through the development of irrigation infrastructure.

The first study is a joint effort between the agriculture and agro-industry sector and the African Water Facility to develop and manage Egypt's limited water resources in the most efficient manner that meets irrigation and other needs through the application of the principles of integrated water resources management to maintain resource sustainability. The joint effort is being conducted through a study on Egypt's irrigation network and major hydraulic structures.

The second study is on the Zefta Barrage whose objective is to determine the most technically viable, economically feasible, and environmentally and socially acceptable option for the rehabilitation or reconstruction of the Barrage. This includes the production of a comprehensive feasibility report and the associated engineering designs, bills of quantities and tender documents for the selected option. The majority of the beneficiaries of the Zefta Barrage Study are among the poorest in the country, living in rural areas and depending mainly on agriculture for subsistence.

## Transport sector

Currently, the Bank is financing one project, the Damietta Container Terminal (a private sector operation), which accounts for 6.2% of the total commitment value of the active portfolio.



## Bank Group Strategy & Ongoing Activities in Egypt

The Bank's 2007-2011 intervention strategy in Egypt is centred on two pillars. The first consists of promoting private sector development through direct support to the sector, with linkages to infrastructure projects and financial sector development. The second seeks to deepen social protection development through increased institutional capacity-building and support to organisations dealing with poverty reduction at the grass-roots. The two pillars are within the government's fifth (2002/03-2006/07) and sixth (2007/08-2011/12) National Development Plans. Their strategic objectives are to promote exports to enhance balance of payments and increase job opportunities; deepen and modernize the industrialization process with a view to focusing on capital goods and high-value production in line with Egypt's competitive advantage; and reduce unemployment and focus on employment-oriented, labour-intensive techniques and promote small and medium-sized enterprises. Additionally, the projects seek to direct development towards desert land and correct spatial imbalances; reduce poverty and promote equity; and promote gender equality and greater female participation in the development process.

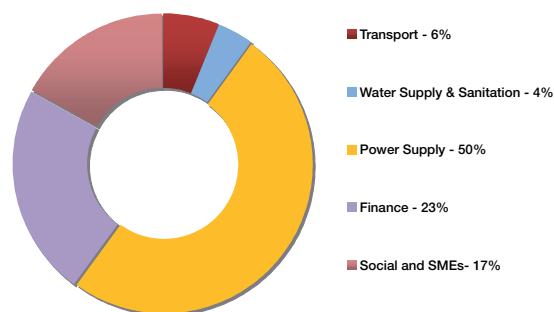
With regard to social protection development, the African Economic Outlook (AEO-2009) reports that Egypt has achieved the Millennium Development Goal of halving the proportion of the population living in extreme poverty in 2005. The AEO-2009 also indicates that remarkable progress has been made to reduce infant and under-five mortality. Between 1990 and 2006, these two measures declined by 50% and 56%, respectively.

In line with the promotion of the private sector development pillar, the government has reformed regulations to obtain business licenses, thus positively impacting the investment climate. As a result, Egypt has jumped from the 43rd position in 2009 to the 24th position in 2010 on the ease of starting a business' indicator as part of the 2010 Doing Business survey. Structural reforms have also been pursued to ease the issuance of construction permits; reinsure contract enforcement; ease access to credit

information and facilitate the creation of start-up companies. While private operations in Egypt amounted to only 47% of total operations in 2003/2004, they reached 65% in 2007/2008.

As of December 31, 2009, the ongoing operations portfolio comprised nine operations which amounted to net commitments of UA 1,174 million and the newly approved operations were six with a total loan amount of UA 196.8 million. The public sector represents 90% of ongoing operations. Active operations are dominated by the power supply sector, which accounts for 50% of approvals; 23% went to the financial sector; 17% to SME and social protection development; 6% to transport and communication development, and 4% to water resource development.

**Current Portfolio Structure by Sector in Egypt**



Ongoing operations include grants which are financed through the Middle Income Countries Trust Fund, the African Water Facility and the African Private Sector Assistance Technical Assistance Fund comprising four stand-alone studies (UA 4.8 million) in the water and transport sector, and capacity building interventions that are integrated in four projects (UA2.68 million).







# Abu Qir 1300 MW Thermal Power Plant Project



<b>ADB Loan Amount</b>	UA 214.49 million
<b>Co-Financiers</b>	IDB, AFESD, KFAED, West Delta Electricity Production Company/ Egyptian Electricity Holding Company
<b>Approval Date</b>	November, 2007
<b>Expected Completion Date</b>	December, 2012
<b>Location</b>	Alexandria
<b>Executing Agency</b>	West Delta Electricity Production Company/ Egyptian Electricity Holding Company

## Background and Objective

Egypt's rapid economic growth requires, among other things, a systematic expansion of the electricity generation facilities to cope with increasing demand from various sectors of the economy. Indeed, the provision of sufficient and stable power supply is vital for all productive and social sectors of the economy, to which the government gives high priority. To attain this goal, the country is in the process of securing reliable and adequate energy supply by investing in appropriate, diversified and economically competitive sources.

The project is in line with both the government's development strategy and the Bank's operational strategy in Egypt, as articulated in the 2007- 2011 Country Strategy Paper, as the energy sector is critical for enhancing the private sector's efficient functioning.

The project's objective is to increase the generation capacity to partly meet the electricity demand on the Unified Power System in the short-to-medium term.

## Description

The project components comprise:

- Site preparations, piling and foundation works and

construction of buildings, structural steel, underground piping, access roads, cooling intake and discharge structures and portable water and sewerage systems;

- Supply and installation of steam turbine generators, steam generators and auxiliaries, mechanical equipment/pipes, electrical equipment, instrumentation and control system and a switchyard;
- Design, fabricate, deliver, install and commission of an environmental monitoring station with all associated electrical instrumentation equipment;
- Engineering services for project management.

## Expected Outcomes

The project intends to:

- Increase energy generation; and
- Provide 4% of energy supply.





# Ain Sokhna Thermal Power Project

<b>ADB Loan Amount</b>	UA 215.93 million
<b>Co-Financiers</b>	WB, AFESD, KFAED, Egyptian Electricity Holding Company
<b>Approval Date</b>	December 2008
<b>Expected Completion Date</b>	June 2014
<b>Location</b>	El-Ain Al-Sokhna
<b>Executing Agency</b>	Egyptian Electricity Holding Company

## Background and Objective

Egypt's rapid economic growth requires, among other things, a systematic expansion of the electricity generation facilities to cope with increasing demand from various sectors of the economy. Indeed the provision of sufficient and stable power supply is vital for all productive and social sectors of the economy, to which the government gives high priority. To attain this goal, the country is in the process of securing reliable and adequate energy supply by investing in appropriate, diversified and economically competitive sources.

The project is in line with both the government's development strategy and the Bank's operational strategy in Egypt, as articulated in the Country Strategy Paper (2007- 2011), as the energy sector is critical for enhancing the private sector's efficient functioning.

Specifically, the project's objective is to enhance Egypt's socio-economic development by providing infrastructure to increase the country's electricity generation capacity.

## Description

The project comprises the following major components:

- Site preparations, piling and foundation works, construction of buildings, structural steel, underground piping, chimneys, access roads, yard tanks, cooling intake and discharge structures and circulating water and rack systems;
- Supply and installation of steam turbine generators and condensers, steam generators, mechanical equipment/ pipes, electrical equipment, instrumentation and control system and a switchyard;
- Design, fabricate, deliver, install and commission of an environmental monitoring station with all associated electrical instrumentation equipment;
- Engineering services for project management.

## Expected Outcomes

This project intends to:

- Increase total installed capacity; and
- Increase the number of consumers.



# El Kureimat 750 MW Combined Cycle Power Plant (Module III)



<b>ADB Loan Amount</b>	UA 154.3 million
<b>Co-Financiers</b>	Upper Egypt Electricity Production Company / Egyptian Electricity Holding Company
<b>Approval Date</b>	July 2005
<b>Expected Completion Date</b>	June 2010
<b>Location</b>	Cairo
<b>Executing Agency</b>	Upper Egypt Electricity Production Company / Egyptian Electricity Holding Company



## Background and Objective

Egypt's rapid economic growth requires, among other things, a systematic expansion of the electricity generation facilities to cope with increase demand from various sectors of the economy. Indeed the provision of sufficient and stable power supply is vital for all productive and social sectors of the economy, to which the government accords high priority. To attain this goal, the country is in the process of securing reliable and adequate energy supply by investing in appropriate, diversified and economically competitive sources.

The project is in line with the government's development strategy and the Bank's operational strategy in Egypt, as articulated in the 2007- 2011 Country Strategy Paper, as the energy sector is critical for enhancing the private sector's efficient functioning. Specifically, the objective of the project is to increase the generation capacity in

order to partially meet the electricity demand in the Unified Power System (UPS).

## Description

The project's main components include:

- Site preparations, piling and foundation works and construction of buildings, structural steel and underground piping, access roads, cooling intake and discharge structures;
- Supply and installation of gas turbine generator and auxiliaries, steam turbine generators and auxiliaries, heat recovery steam generators and auxiliaries and a switchyard;
- Design, fabricate, deliver, install and commission of an environmental monitoring station with all associated electrical instrumentation equipment;
- Engineering services for project management.

## Expected Outcomes

The project intends to:

- Increase the UPS supply capacity;
- Contribute to increased UPS installed generation capacity;
- Increased electricity supply to the UPS; and
- Contribute to electricity generation capability.

# Studies for the Launching of the Geostationary Satellite Project (NAVISAT)



<b>ADB Grant Amount</b>	UA 600,000
<b>Co-Financiers</b>	Egyptian Government
<b>Approval Date</b>	May 2009
<b>Expected Completion Date</b>	December 2010
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Ministry of Civil Aviation

## Background and Objective

Considering the problems encountered in Africa regarding air navigation safety, which results from the region's difficult terrain; lack of adequate aviation safety facilities; and the urgency to implement the International Civil Aviation Organization strategy regarding air safety aimed at addressing challenges from the expected air traffic increase, the acquisition of the proposed CNS/ATM new system is considered as most promising and responsive approach in this region.

In this regard, the Egyptian Ministry of Civil Aviation Authority, through the Egyptian Aviation Holding Company, took the lead to initiate the Geostationary Satellite NAVISAT Project aimed at providing satellite-based air navigation and safety communication services over Africa and some surrounding countries.

The objective of the project is to help improve communications, navigation, surveillance and air traffic management services, therefore enhancing the continent's air transport safety and efficiency. The project will consequently result in the provision of cost-effective satellite communications and major improvements in the aeronautical services.

## Description

The Bank Group has approved the financing of four studies: legal; financial; and human resources for a specialised satellite for air navigation and safety communication.

## Expected Outcomes

The major outputs of the study will be the production of:

- Legal, financial, and human resources documents that will be used as main input in the implementation phase of the NAVISAT project; and
- The study documents will also serve as an input to prospective donors for their project appraisal.





# Damietta Port Container Terminal Project

<b>ADB Loan Amount</b>	US\$ 150 million
<b>Co-Financiers</b>	Ahli United Bank and Arab Bank Corporation, Sponsors
<b>Approval Date</b>	September 2005
<b>Expected Completion Date</b>	June 2010
<b>Location</b>	Damietta
<b>Executing Agency</b>	Damietta International Ports Company

## Background and Objective

Egypt's location on the Suez Canal makes it a strategic link between Africa and the Middle East and Asia. In an effort to capitalize on its location and to better integrate its economy into the global economy, the Egyptian government has, in recent years, intensified economic and structural reforms. In its 2002-2007 plan, the government put export promotion as a pillar of its strategy. This strategy involved modernizing and constructing new transportation infrastructure to achieve better integration and efficiency between the various transportation modes, including maritime transportation.

The Damietta project fitted perfectly into Egypt's development strategy as the country sought to strengthen its position in the highly competitive transshipment market. As part of this renewed emphasis on infrastructure, the Bank is partly financing the Damietta project. The main objective of the project is to expand the container capacity of the existing Damietta Port.

## Description

The project will take advantage of Damietta's natural comparative advantages; a new container terminal will be built and equipped with modern transshipment facilities. It consists of:



- Construction of quay walls;
- Dredging of the access channel and turning basin;
- Installing the modern transshipment equipment; and
- Developing the terminal area and container yard.

## Expected Outcomes

The project aims to increase Egyptian transit volume and it specifically seeks to:

- Increase the port's handling capacity;
- Increase the port's competitiveness.

# Franchising Sector Support Program

<b>ADB Loan Amount</b>	US\$ 40 million
<b>ADB Technical Assistance</b>	US\$ 0.95 million
<b>Approval Date</b>	February 2009
<b>Expected Completion Date</b>	December 2013
<b>Location</b>	Nationwide
<b>Executing Agency</b>	The Egyptian Social Fund for Development

## Background and Objective

As part of the reform agenda launched in 2004/2005, the Egyptian government has been encouraging private sector investment and development as the key driver of the country's economic progress and job-creation effort. Within this context, the government has been undertaking major legal, structural, fiscal and operational reforms, leading to a more conducive and enabling environment. As a result, Egypt has been rated as a top reformer across 178 countries in Doing Business 2008.

Egypt has the second largest franchising market in Africa, with 2,327 outlets. There are significant opportunities for further franchise development, but also huge constraints. These include an incorrect application of the franchise concept with strong control of franchisors over franchisees' businesses, and the absence of available finance and skills.

The Bank Group Assistance Strategy is also geared to support the Government's efforts in addressing poverty reduction and job creation. The proposed franchising project, which targets the private sector, is therefore well aligned with government efforts to support SMEs and franchising. The project aims at removing these constraints in order to unlock the market potential.

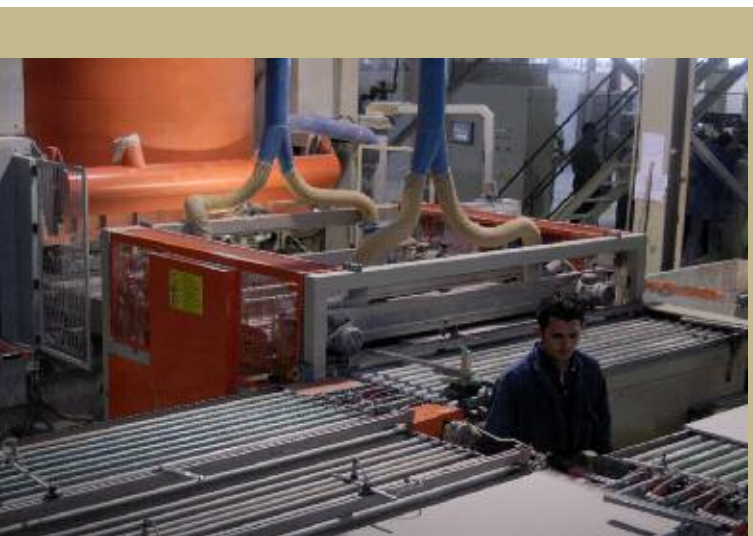
## Description

The Bank Group is providing a long-term loan to the Egyptian government with an on-lending agreement to the Egyptian Social Fund for Development (SFD). SFD is the executing agency, and will pass on the funds to local FIs for on-lending to franchisees. An associated technical assistance grant is part of the support package, to help build capacity in the franchising sector.

## Expected Outcomes

The project is expected to:

- Create 375 franchise outlets and over 7,000 direct jobs;
- Increase the number of SMEs operating in the formal sector; and
- Ensure technology transfer to SMEs, fostering increased productivity and export potential, thereby increasing government revenues.







# Glabel Elasfar Wastewater Treatment Plant

<b>ADB Loan Amount</b>	UA 48.56 million
<b>Co-Financiers</b>	AFD, Government of Egypt
<b>Approval Date</b>	October 2009
<b>Expected Completion Date</b>	June 2014
<b>Location</b>	Cairo
<b>Executing Agency</b>	Ministry of Housing, Utilities and Urban Development/ Construction Authority for Potable Water and Waste water

## Background and Objective

Water is one of the most important resources of Egypt. In recognition of the increasing limitation of this resource, the Government within its Integrated Resources Management Strategy (IRMS) is undertaking measures for its efficient use, protection from pollution including that related to wastewater disposal, as well development of new resources.

In line with the IRMS, the Egyptian government has an ongoing investment program aimed at addressing national issues such as public health and environmental protection, including the protection of the country's finite water resources. The Bank Group is supporting Gabal El-Asfar Wastewater Treatment Plant – Stage II Phase II, project which is part of that program.

The project's primary objective is to improve the quality of wastewater discharged into the drainage system in Cairo East, thereby contributing to increased coverage of improved sanitation and clean environment for the nearly 8 million people living in the area.

- Institutional Support and Sanitation and Hygiene Promotion; and
- Engineering services for project management.

## Expected Outcomes

The project's main outcomes are a clean environment and subsequent improvement in health through reduction of water and sanitation related diseases. Therefore the project intends to:

- Increase the average capacity throughout the treatment process by at least 5,000,000m<sup>3</sup>/d of wastewater;
- Increase the flow of improved effluent into the drains and Lake Manzala;
- Increase the awareness of improved sanitation and hygiene by the communities; and
- Increase the ability of the Construction Authority for Potable Water and Wastewater and Greater Cairo Sanitary Drainage Company to manage the environment and social challenges.

## Description

The proposed project comprises the following main components:

- Wastewater treatment expansion works;



# Master Plan for the Rehabilitation Maintenance of Major Hydraulic Structures in Egypt

<b>ADB Grant Amount</b>	UA 0.6 million
<b>AWF Grant Amount</b>	UA 1.243 million
<b>Co-Financiers</b>	Government of Egypt
<b>Approval Date</b>	October 2009
<b>Expected Completion Date</b>	December 2013
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Ministry of Water Resources and Irrigation through the Reservoirs and Grand Barrages Sector

## Background and Objective

The Egyptian government's water sector goal is to develop and manage the very limited water resources in the country in the most efficient manner that satisfies all needs whilst maintaining the sustainability of the resources through the application of integrated resources management strategy principles.

Egyptian authorities recognise that given current resource constraints, it is necessary to have, in place, a master plan that ensures the prioritization of appropriate and timely interventions in the different hydraulic structures. The plan is expected to also address the issues of timely resource mobilization.

In line with that, the Bank Group is supporting Egypt to undertake a study to prepare: (i) a Master Plan for the rehabilitation/replacement of hydraulic control structures on the Nile and (ii) a feasible investment project for the top priority large structure identified under the study to facilitate the mobilization of resources for work implementation.

## Description

The study will comprise the following three phases of field implementation:

- Undertake the inspection of hydraulic control structures and data collection;
- Develop a geographic information system database;
- Carry out safety evaluations on the hydraulic structures;
- Carry out a Strategic Environmental and Environmental Impact Assessments;
- Develop a Decision Support System ;
- Organize report validation and technical workshops;
- Develop a Master Plan; and
- Organize donor and technical workshops.

## Expected Outcomes

The study will produce plans for efficient management of capital investment projects for the rehabilitation or the replacement of hydraulic control structures as well as for the mobilization of resources required for these investments.



# Comprehensive Study and Project Preparation for the Nubaria and Ismailia Canals



<b>ADB Grant Amount</b>	€ 1.9 million
<b>Approval Date</b>	October 2007
<b>Expected Completion Date</b>	June 2014
<b>Location</b>	Nubaria and Ismailia
<b>Executing Agency</b>	Ministry of Water Resources and Irrigation through the Horizontal Expansion and Projects Sector

## Background and Objective

The Egyptian government is continuously seeking means to reduce system losses, to improve system efficiency and effectiveness, and to optimise water distribution equitably for beneficiaries. However, there are many water related challenges facing Egypt. On the one hand, Egypt's growing population and related industrial and agricultural activities have increased demand for water to levels that reach the limits of available supply. On the other hand, Egypt's water resources are limited mainly to the River Nile; the supply is therefore almost fixed.

Specifically, the Nubaria and Ismailia canals are experiencing similar serious problems such as decaying and poorly functioning infrastructure, seepage and water logging adversely affecting valuable agricultural land, insufficient water conveyance capacity, unauthorized abstractions, environmental degradation from pollution. The Bank is financing a comprehensive study on Nubaria and Ismailia canals that will seek technically feasible and economically and socially viable solutions for efficient water control and system management in these two canals, concentrating on the main canal system.

The primary objective of the proposed study is to seek improvement in the Nubaria and Ismailia canals which will lead to more efficient and sustainable use of land and water resources.

## Description

The study will undertake pre-feasibility and feasibility level work, to include developing semi-detailed designs, bills of quantities, cost estimates and tender document preparation so that major investment operations for both Nubaria and Ismailia canals can follow immediately upon conclusion of the study. The study will also comprise a full environmental and social impact assessment, including an environmental and social management plan as well as an environmental monitoring program with associated costs for the implementation of any recommendations.

## Expected Outcomes

The project outcomes may be summarized as follows:

- Improved irrigation infrastructure development and management ;
- Support for implementation of the country's Horizontal Expansion Plan;
- Improved agricultural productivity;
- Alleviating or mitigating the problems caused by the present canal situation on agriculture production and other users;
- Safeguarding the water demand for different sectors in the two study areas; and
- Generating higher income levels for the rural households.

# Zefta Barrage Feasibility Study



<b>ADB Grant Amount</b>	UA 0.6 million
<b>Co-Financiers</b>	Government of Egypt
<b>Approval Date</b>	April 2009
<b>Expected Completion Date</b>	April 2011
<b>Location</b>	North Cairo
<b>Executing Agency</b>	Ministry of Water Resources and Irrigation through the Reservoirs and Grand Barrage Sector

## Background and Objective

Egypt's water sector goal is to develop and manage the very limited water resources in the country in the most efficient manner that meets all the needs while maintaining the sustainability of the resources through the application of the principles of integrated water resources management.

The Bank Group is supporting government efforts at improving water management and controlling efficiency, which includes the proposed feasibility study on the Zefta Barrage. The Barrage should have a positive impact on a wide spectrum of the country's population, the majority of whom are the rural poor. More importantly, it should also help the country in its race towards achieving the Millennium Development Goals by making the most efficient use of Egypt's water resources.

The specific study objective is to determine the most technically viable, economically feasible, and environmentally and socially acceptable option for the rehabilitation/reconstruction of Zefta Barrage, including the production of a comprehensive feasibility report and the associated engineering designs, bills of quantities and tender documents for the selected option.

## Description

The present study is designed as a comprehensive detailed investigation to formulate a project for the rehabilitation of Zefta Barrage or reconstruction of a new barrage in replacement of the current structure as a solution for: (i) improved water management in 1 million feddans; (ii) increasing the availability of fresh water for irrigation of 3 million feddans additional agricultural land as well as domestic and industrial uses; (iii) navigation throughout the year; and (iv) miscellaneous uses by the beneficiaries.

## Expected Outcomes

The major expected outcome of the study is to partly contribute towards the development of a master plan of the grand barrages and regulators, assessment of the conditions of these infrastructures and the proposal of an action plan with the view to meeting water demand through optimal management.





# Small and Medium Enterprise Support Project (Second Line of Credit to the National Bank of Egypt)

<b>ADB Loan Amount</b>	US\$ 200 million
<b>ADB Technical Assistance</b>	UA 0.30 million
<b>Approval Date</b>	September 2005
<b>Expected Completion Date</b>	June 2010
<b>Location</b>	Cairo
<b>Executing Agency</b>	National Bank of Egypt

## Background and Objective

Small and Medium-sized Enterprises (SMEs) constitute the engine of growth for the Egyptian economy, comprising more than 97% of the country's private establishments in the non-agricultural sector, and contributing two-thirds to the labour force. The development of SMEs therefore represents a key component of the government's economic and poverty reduction strategies.

The Bank Group has assisted the country's SMEs and approved funding to the National Bank of Egypt in October 2002 to support the development of SMEs in the country. This line of credit contributed in increasing NBE's financings to SMEs, as well as engendering positive institutional changes in the bank.

The proposed Small & Medium Sized Enterprise support program is a follow-on to the previous line of credit. It was designed to complement other development assistance. The project's objective is to support Egypt's efforts at promoting economic growth and poverty alleviation in the country through the development of SMEs.

## Description

The project comprises the provision of financial resources for SME development in Egypt, using line of credit instruments through the National Bank of Egypt (NBE),

as well as a parallel technical assistance to NBE to improve the institution's capacity for SME financing. More than 200 SMEs in manufacturing, tourism, construction and services sectors are expected to benefit from the project. The project will contribute to the economy's objectives of increasing output, creating new jobs and increasing foreign exchange earnings.

## Expected Outcomes

The project aims at developing financial and non-financial services to the SMEs in Egypt. Specifically the project intends to:

- Increase the availability of medium and long-term financial resources to SMEs;
- Increase the number of SMEs with access to financial services; and
- Improve the institutional capacity of NBE for SME financing.





# Social Fund for Development: Micro and Small Enterprises Support Project

<b>ADB Loan Amount</b>	UA 60 million
<b>ADB MIC Grant</b>	UA 0.60million
<b>Approval Date</b>	October 2006
<b>Expected Completion Date</b>	December 2012
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Egypt Social Fund for Development

## Background and Objective

The issue of Micro and Small Enterprise (MSE) growth and development ranks high among Government of Egypt's priorities for socio-economic development in the country, given the growing need of employment creation, especially for the youth. Despite this pivotal role, there are few sources of credit targeted at MSEs in Egypt. Banks are generally reluctant to lend to MSEs due mainly to the high costs associated with small loans to MSEs; perceived high risks associated with lending to MSEs; and lack of capacity on the part of the banks for small enterprise lending.

The Government has set the Egypt Social Fund for Development (SFD) to mobilise resources and synchronize efforts with the aim of formulating appropriate mechanisms focused on the accelerated development of the sub-sector is supporting the creation of jobs.

In line with this the Bank is financing the current project with the objective to foster job creation and enhance community economic development. Through a combination of financing instruments and capacity building support to financial institutions, the project seeks to address both supply and demand side issues constraining MSEs' access to finance, with an expected positive impact on employment and a reduction in poverty.

## Description

The project will have two components, namely:

- Line of Credit, which will be geared towards the provision of loans to commercially viable micro and small enterprises for their working and investment capital needs; and
- Technical Assistance to develop and enhance key business skills in MSEs and those institutions that serve them (SFD, banks and NGOs).

## Expected Outcomes

The project intends to:

- Create a conducive business and regulatory framework for MSE growth and development;
- Improve institutional capacity of SFD and financial intermediaries for MSE financing; and
- Increase in the number of MSEs with access to finance.



# Rural Income and Economic Enhancement Project



<b>ADB Loan Amount</b>	UA 45.07 million
<b>ADB MIC Grant</b>	UA 0.6 million
<b>Co-Financiers</b>	FAPA, Government of Egypt
<b>Approval Date</b>	January 2010
<b>Expected Completion Date</b>	December, 2015
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Social Fund for Development

## Background and Objective

The National Development Plan (2007-2012) calls for the creation of approximately 750,000 new jobs every year in order to cope with new entrants to the workforce, the reduction of the current level of unemployment from around 8.4% to 5.5% as well as reduction of poverty from 20% to 15% by 2012. It also calls for: (i) fostering agro investments as a means of stimulating private sector development in rural economies; (ii) improving income levels of the low income citizens; and (iii) improving the standard of living of the citizens, especially for the population living in Upper Egypt.

This is consistent with the Bank's broader medium term strategy which promotes agro industry development in regional member countries (RMCs) and the Egypt Country Strategy Paper (2007–2011) which focuses on: (i) private sector development; and (ii) support to social development and protection.

Therefore the Bank Group is supporting a project with the objective to improve the socio economic livelihood of the economically active rural smallholder farmers engaged in the production, processing and marketing of selected agricultural commodities.

## Description

To achieve this objective, the project will:

- Create business linkages between the farmer associations and the private sector agribusinesses in a value chain;
- Develop capacities of financial intermediaries to develop and introduce new and innovative financing instruments for agribusiness (including micro-insurance schemes); and
- Address the financing constraints faced by agribusiness institutions.

## Expected Outcomes

The project intends to:

- Increase the number of households with sustainable improvements in incomes and living standards;
- Increase agribusiness lending;
- Increase the volume of trade in horticulture and dairy products;
- Reduce post harvest losses; and
- Increase in the number of jobs created.



# Financial Sector Reform Program (FSRP)

<b>ADB Loan Amount</b>	US\$ 500 million
<b>Co-financiers</b>	World Bank, USAID and Government of Egypt (GoE)
<b>Approval Date</b>	July 2006
<b>Expected Completion Date</b>	December 2009
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Central Bank of Egypt and Ministry of Investment

## Background and Objective

Egypt's financial sector has a major role to play in stimulating development in the country, particularly that of the private sector. The sector has been one of the main beneficiaries of the Egyptian government's economic reform and liberalization policies implemented since the early 1990s. This period has seen an appreciable institutional strengthening of the financial system.

Despite the progress that has, to date, been made in transforming the Egyptian financial sector, important challenges remain if the sector is to efficiently perform its role in economic development. For instance, the maturity transformation rate in the banking system is very low, thereby depriving the real sector of medium to long-term funding resources. The insurance sector remains small, limiting its role in risk management and transfer. Further strengthening of the sector is required to increase efficiency, enhance competition, and improve the credit management infrastructure.

The Bank Group is supporting the Financial Sector Reform Program that has been designed primarily to address these and other shortcomings of the financial sector. The main objective of the program is to strengthen the enabling legal and institutional environment for financial intermediation and risk management, and to increase the private sector's role and participation in the provision of financial services.

## Description

The Program was designed along four main pillars :

- Introducing a comprehensive and transparent Monetary Policy Framework;
- Improving the functioning of the Foreign Exchange Market;
- Implementing a Banking Sector Reform; and
- Strengthening the Non-Bank Financial Sector.

The Egyptian government carefully planned the implementation of these pillars in terms of sequencing and coordination. The first two pillars, which constitute the first part of the program, have been successfully implemented. The Bank is assisting Egypt to implement the second part, which includes the other two pillars.

## Expected Outcomes

The project intends to strengthen:

- The effectiveness of banking regulatory and supervisory regime;
- Insurance and private pension supervisory capacity, and transition to a risk-based supervisory regime;
- The capital market;
- The performance of restructured state-owned banks;
- The enterprise budgetary process; and
- Corporate governance in the enterprise sector.

## Ongoing Technical Assistance and Economic Sector Works in Egypt



Project name	Sector	Approval date	Amount in million
Studies on Launch of the Geostationary Satellite Project (NAVISAT)	Transport and Communication	May, 2009	UA 0.6
Master Plan for the Rehabilitation or Maintenance of Major Hydraulic structures in Egypt	Water Supply and Sanitation	October, 2009	UA 0.6
Comprehensive study and Project Preparation for the Nubaria and Ismailia Canals	Water and Sanitation	October, 2007	€ 1.9
Zefta Barrage Feasibility Study	Agricultural	April, 2009	UA 0.6
Technical Assistance to enhance business skills of MSE's and institutions that serve them such as SFD, banks and NGOs	Social	October, 2006	UA 0.6
Technical Assistance for Rural Income Enhancement Project	Social	January, 2010	UA 0.6
Technical Assistance to National Bank of Egypt	Financial	September, 2005	UA 0.3







# Libya



Membership year	1972
Subscribed capital (%) as of December 31, 2009	3.833
Total voting power (%) as of December 31, 2009	3.782
Number of newly approved operations	1
Total loan amount of newly approved operations in UA million	0.48

# Great Socialist People's Libyan Arab Jamahiriya

## Key Features

Libya is located in North Africa. Bordering the Mediterranean Sea to the North, Libya lies between Egypt to the East, Sudan to the South-East, Chad and Niger to the South, and Algeria and Tunisia to the West.

With an area of almost 1.8 million km<sup>2</sup>, 90% of which is desert, Libya is the fourth largest country in Africa in terms of land mass, and the 17th largest in the world. The capital, Tripoli, is home to 1.7 million of Libya's 5.7 million people. The three traditional parts of the country are Tripolitania, Fezzan, and Cyrenaica. It is a middle-income country that registered an average annual growth rate of 5.1% in 2000-2008.

Libya is endowed with the largest proven oil reserves in Africa and ranked third in terms of oil production behind Angola and Nigeria. Libya is considered to be one of the continent's wealthiest countries.

Libya has embarked on a series of reforms aimed at promoting and facilitating trade, and creating an enabling environment for private sector development and foreign investment. This has triggered an interest by foreign investors in recent years to capitalise on the plethora of opportunities offered in the energy, construction and tourism sectors.

Libya has the highest HDI in Africa rising steadily by 0.44% annually between 0.821 to 0.847 between 2000 and 2008. Along the same trend, the Human Poverty Index (HPI-1), as defined by the United Nations Development Program, has slightly decreased from 13.6% in 2008 to 13.4% in 2009. 78% of Libya's population lives in urban areas and have a median age of 23.9 years, an average life expectancy of more than 77 years, and an average literacy rate of 82.6%. These indicators set Libya on the right path to achieving the Millennium Development Goals.

The educational sector is undergoing substantial reform in a bid to promote human and sustainable development. The country has been successful in achieving universal primary education and quasi-universal in secondary education, with gross enrolment rates of 100% and 94%, respectively.



## Overview of Bank Group Operations in Libya

Libya has been a Bank Group member since 1972. Endowed with significant savings and capital surplus, Libya has not made use of Bank lending services thus far. However, the Libyan government is now strengthening its position in the international political and economic architecture and an enhanced cooperation with the African Development Bank is part of this process.

This enhanced cooperation peaked during the Bank Group president's visit to Tripoli in December 2008, during which he was received by the Libyan leader. Following this meeting, the Bank Group Board of Directors approved the Libya Country Engagement Note in March 2009.

In this context, upon the Libyan government's request, the Bank has, since 2007, carried out three studies to support Libya's ongoing reform programs in Libya's water and financial sectors, as well as on the country's economic diversification. In addition, the Bank is co-financing a multinational telecommunications project for regional African satellite communication members and providing advisory services to Libya's new export promotion centre.

The first study on the water sector, financed through the African Water Facility, was prepared together with a proposal for an institutional support project to the country's general water authority. The study's findings were presented to a widely attended integrated water resources management workshop held in Tripoli in April 2007.

The second study on the banking and finance system has been concluded, and the preliminary draft report, shared with the finance ministry.

The third study on the diversification of Libya's economy enumerates key policy issues for continuing debate on policy choices and scenarios. The study sought to deepen understanding of Libya's policy environment and economic reforms.

The enhanced collaboration with Libya materialized with the approval in September 2009 of a first grant of UA 0.48 million to finance a capacity building program focusing on strengthening the institutional capacity of the Libyan export promotion centre. This project is line with the Bank Group's strategy to encourage the transfer of technical advice and know-how that can contribute towards efforts at building institutions. The project will enhance the organizational capacity and systems of the institution, strengthen its managerial capacity and support the improvement of its capacity and effectiveness in delivering export promotion and business development services. Ultimately, this AfDB funded project will contribute to the diversification of the country's production and export base, growth sustainability and job creation in Libya.





## Bank Group Strategy & Ongoing Activities in Libya

The Libyan National Economic Strategic Vision was released in 2006, and sets out a new approach to development, including a restructuring of its government system. This vision recommends a number of actions, including establishing an economic development board and a human assets office, implementing a far-reaching entrepreneurship program, and creating a special economic status for three high potential sectors: tourism, information and communication technologies and construction.

In line with the vision, The Socialist People's Libyan Arab Jamahiriya has initiated a variety of policy and institutional reforms aimed at expanding the role of market forces,

diversifying the non-oil sector, and shifting the development strategy from an inward-looking import substitution to a re-integration into the regional and global economy. Largely, the government has reformed the monetary management sector, banking sector, public enterprise and management sector as well as the business environment. Consequently, progress has been registered in addressing constraints on private sector activities and investments.

In 2006, the government instituted the Libya Investment Authority with the mandate of managing state financial assets, including the Oil Reserve Fund. The customs administration has been reformed and a large taxpayer's office, has been established. The budget presentation has been consolidated and a macro-fiscal unit has been initiated.

Bank support to Libya's reform program is consistent with the revised assistance strategy to Middle Income Countries. The AfDB-financed studies aimed at supporting efforts at enhancing the public sector's efficiency, especially to strengthen the capacity for public financial management and export promotion. Furthermore, the Bank Group has provided technical assistance for sustainable and efficient management of water resources in the country.

To further strengthen the enhanced collaboration with Libya, the Bank Group is further exploring opportunities to collaborate with the government to support trade facilitation and tourism.









# Capacity Building Support to Export Promotion

<b>ADB MIC Grant</b>	UA 0.48 million
<b>Co-Financiers</b>	Government of Libya
<b>Approval Date</b>	November, 2009
<b>Expected Completion Date</b>	June, 2011
<b>Location</b>	Tripoli
<b>Executing Agency</b>	The Libyan Export Promotion Centre

## Background and Objectives

The Libyan government recognises that the ongoing globalization and the country's re-integration process into global markets have created both challenges and opportunities. In this context, the authorities have set up the Libyan Export Promotion Centre (LEPC) to deliver direct trade-related services and also play advisory and advocacy roles in trade issues.

However, the paucity of technical trade and export promotion expertise is a major weakness facing the country as it aspires to maximize the benefits of regional cooperation, bilateral agreements and other multilateral arrangements. The Bank's role is to encourage the transfer of technical advice and know-how that can contribute to efforts at building institutions such as LEPC and the requisite skills.

The overall objective of the proposed AfDB-funded program is to contribute to efforts at diversifying the production and export base, sustain growth and create jobs in Libya. The program's specific purpose is to help develop the Libyan Export Promotion Centre's institutional capacity and human resources.

## Description

The program's main components are:

- Organizational and managerial enhancement: This will involve organizing a training program for management and leadership, a forum on export constraints, development and promotion as well as reviewing and making suggestions to improve the centre's organizational structure and its human resources systems; and
- Export Promotion and Business Development Services: This will include developing a strategic plan for the centre's export promotion and business development services, organizing training and capacity building sessions to assist with the service delivery and efforts at strengthening the centre's "Trade Information System."

## Expected Outcomes

The project intends to:

- Support emerging opportunities for diversification;
- Improve human resources by upgrading skills and changing mindset/attitude;
- Improve provision of training and business services; and
- Enhance the centre's capacity to effectively deliver export promotion and business development services.





# Mauritanie



Membership year	1964
Start of lending operations	1972
Number of ADB approved operations, 1967-2009	14
Number of ADF approved operations, 1974-2009	46
Number of NTF operations	2
Cumulative Bank Group Approvals in UA million, 1967-2009	566.76
Subscribed capital (%) as of December 31, 2009	0.147
Total voting power (%) as of December 31, 2009	0.172
Number of ongoing operations	14
Total loan amount of ongoing operations in UA million	197.14

## Islamic Republic of Mauritania

### Key Features

**M**auritania is located in North-West Africa. It is bordered by the Atlantic Ocean on the West, by Senegal on the South-West, by Mali on the East and South-East, by Algeria on the North-East, and by the Morocco-controlled Western Sahara on the North-West. The capital and largest city is Nouakchott, located on the Atlantic coast.

Mauritania has substantial mining and oil reserves; these resources have contributed to an estimated 34.2% of GDP in 2008. Iron-ore production was 11.8 million tonnes in 2008, up about 8% from 2007.

Oil production began in 2006 with extraction from the offshore Chinguetti field, but fell sharply from 75,000 barrels per day (bpd) in 2007 to 11,676 bpd in 2008 because of drilling-related technical problems there. Prospects for 2010 are good, however, with new offshore (Banda, Tevet) and onshore deposits (Taoudeni) slated

for drilling. The latest UNDP report (2008) on Millennium Development Goals (MDG) progress indicated that eleven chosen targets to be reached by 2015, two (universal primary education, improving the living conditions of the poorly housed) will probably be reached, and four (reducing poverty and hunger, gender equality and access to clean water) might be reached if present trends continue.





## Overview of Bank Group Operations in Mauritania



Since commencing operations in Mauritania in 1972, the Bank Group has provided the country with total financing of UA 566.68 million for 62 operations. Of these: 39.6% are ADB loans, 0.2% are ADB Grants, 7.2% are other ADB approvals, 45.1% are ADF loans, 1.0% are ADF grants, 5.1% other ADF approvals and 1.8% are Nigeria Trust Fund approvals.

Since 1972, the sectoral breakdown of operations indicates that industry, mining and quarrying accounted for 48.1% of entire approvals to Mauritania. This is followed by infrastructure (water, energy, communication and transport) with 20.2%, the social sector with 14.5%, agricultural sector with 12.9% and the financial sector accounts for 4.3%.

### Industry, Mining and Quarrying

#### Industry sector

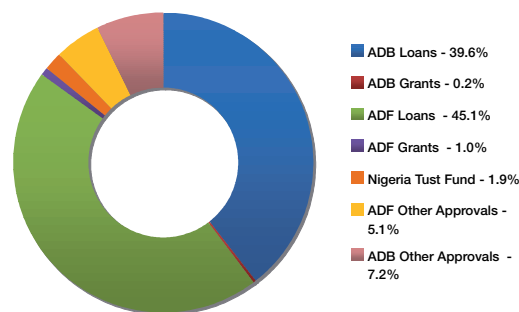
According to the African Economic Outlook (2009), Mauritania has substantial mining and oil reserves. This sector has contributed an estimated 36.2% of GDP in 2008. Iron-ore production was expected to be 11.8 million tonnes in 2008, up about 8% from 2007. Iron exports were 8.5 million tonnes, earning US\$ 592 million, 44% more than in 2007 due to higher world prices.

Copper production was 25,000 tonnes, up 15% from 2007, with exports worth roughly US\$ 150 million. Gold output was estimated at 78,200 ounces (82% more than in 2007), with exports bringing in US\$ 128.9 million (up from US\$ 26.3 million in 2007). This was due to greater volumes extracted and a 35% rise in the average export price.

The Bank Group has participated in financing six projects in the sector since 1978 for a total of UA 214.32 million. The Bank Group has partnered with the National Industrial

Mining Company for the past 30 years with a long-term objective of diversifying and increasing mining production up to the level of the country's mining potential, improving the government's tax revenue from the sector; and contributing to the country's economic and social development.

**Cumulative Bank Group Loans & Grants by Institution in Mauritania (1972-2009)**



### Water and Sanitation sector

As a Saharan and Sahelian country, Mauritania is confronted with serious surface and underground water problems. The government has designed a strategy to improve access to drinking water by giving priority to the most underprivileged population in Mauritania. The long-term objective is to provide all villages with over 500 inhabitants with a drinking water supply system, and to raise the water connection rate to 85% in rural areas.

Since 1967, the Bank Group has provided finances to the sector amounting to UA 50.5 million to help mitigate the problem of water scarcity in Mauritania. Bank interventions have improved socio-economic and health conditions of rural communities in Mauritania by improving water supply and household sanitation.

## Agriculture and Rural Development Sector

In collaboration with various development partners, the government has implemented the integrated irrigated areas program, developed and managed pasture lands. This has resulted in increased farm output and reduced post harvest losses.

According to the African Economic Outlook (2009), the agro-livestock sector accounted for 13.2% of GDP in 2008, growing at roughly 4.5% a year in real terms. The Mauritanian government made efforts to achieve self-sufficiency by upgrading facilities, increasing rural credit from MRO 1 billion in 2007 to MRO 3 billion in 2008, ensuring timely and adequate supply of fertilizers, using 40% selected seeds for harvests instead of the previous 15%, and reinforcing technical supervision. Livestock provides more than 80% of the whole sector's value added and about 9.5% of GDP.

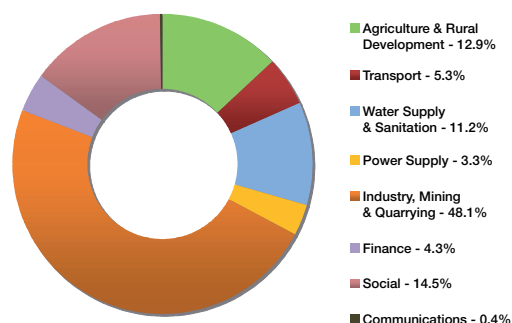
The Bank Group has approved 14 operations in the sector with total commitments reaching UA 57.62 million, thereby contributing to food security by increasing agricultural production and improving farmers' incomes.

## Financial Sector

The financial system remains modest and partitioned compared with the other Maghreb countries. The low level of banking intermediation constitutes an obstacle to the domestic saving mobilization and the access to credit which represents a major constraint on economic growth. However, the important Government's efforts to modernize and strengthen the stability of the financial sector should be highlighted. They include the reform of the legal and regulatory framework that was implemented in 2009. In 2009, the country's central bank set up new deposit guarantee funds. This funds aim at reinforcing the protection and public's confidence in the banking system. It will, in the long term, make it possible to improve the extent of banking and promote saving.

The Bank has contributed to the development of the country's financial sector by financing several credit lines for Mauritania. As of December 31, 2009, the sector accounted for 10.35% of commitments and 26% of total disbursements for Bank Group ongoing projects in Mauritania, thereby underscoring the Bank's contribution to the development of local entrepreneurship in the country.

**Cumulative Bank Group Loans & Grants by Sector in Mauritania (1972-2009)**



## Bank Group Strategy & Ongoing Activities in Mauritania



The main thrusts of the Mauritanian government's development agenda are to accelerate growth while maintaining a stable macroeconomic framework; anchor growth on the economic sphere of the poor; develop human resources and expand essential services; improve governance and build capacity; and improve management, monitoring/evaluation and coordination.

Currently, the Bank is in the process of outlining its strategy for the country and a new Country Strategy Paper is envisaged in 2010. The last Bank strategy for the period 2006-2007, was articulated around two pillars: developing microfinance; and improving access to drinking water and sanitation services. The preparation of the new strategy, envisaged initially in the second half of 2008, was deferred, because of the political crisis. With the improvement of the political situation and the conclusion of a new program with the International Monetary Fund, the Bank plans to prepare a new strategy covering the 2011-2015 period in 2010.

On the basis of lessons learned from the preceding strategy, the 2011-2015 strategy will continue to pursue the achievement of the Millenium Development Goals, with regard to improving access to basic socio-economic services while providing support for macroeconomic and structural reforms in coordination with other donors, in order to create a conducive environment for private sector development.

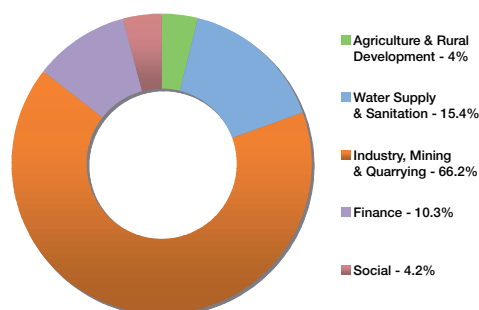
The Bank's intervention strategy in Mauritania seeks to support the government in its policy to improve living conditions for the poor (increase income in rural areas, develop infrastructure and improve the rate of access to water and sanitation); improve the active portfolio's performance; and maintain dialogue on efforts to strengthen economic governance, especially the management of oil resources, on private sector development, on the future strategy to progressively take Mauritania out of the group of least developed countries. In 2003, the Mauritanian government prepared and

adopted a national micro-finance strategy to promote the decentralisation of the financing system in order to reduce poverty and improve the micro-finance environment. The aim is to enable the poor to access sustainable financial services and improve their productivity, and contribute to the government's agenda of developing a robust micro-finance sector.

The government is currently implementing the national drinking water supply and sanitation program, which seeks to improve access to safe drinking water and sanitation in rural areas and poor districts by 2015, thereby contributing to the second development pillar.

The Bank's ongoing portfolio in Mauritania, as of December 31, 2009, had 14 operations, representing total commitments of nearly UA 197.14 million. Active Bank operations show that the industry, mining and the quarrying sector account for 66.2% of the financing to Mauritania. This is followed by the water and sanitation, and finance sectors which account for 15.4% and 10.3%, respectively. The remainder goes to the social sector (4.2%) and the agricultural sector (4%). The prominent share of mining and industry in the portfolio is mainly attributed to the UA 111.75 million loan to the National Industrial and Mining Company approved in September 2009.

**Structure of the current portfolio by sector in Mauritania**







# The Nouakchott City “Aftout Essaheli” Drinking Water Supply Project

<b>ADF Loan Amount</b>	UA 26.00 million
<b>Co-financiers</b>	AFESD, KFAED, SFD, IDB, Government of Mauritania, OPEC
<b>Approval Date</b>	September 2003
<b>Expected Completion Date</b>	December 2010
<b>Location</b>	Nouakchott City
<b>Executing Agency</b>	National Water Corporation

## Background and Objective

The Mauritanian government is taking action to address the country’s water shortage problem, which hampers the social and economic development of Nouakchott city. The government conducted a study which led to the preparation of a water supply project aimed at meeting the city’s requirements right up to 2030.

The current project is consistent with the Bank’s water and sanitation sector strategy. Water from the Senegal River will benefit the poorest on the outskirts of the capital who have no access to basic drinking water supply infrastructure. The project will also supply drinking water to rural populations living around the water supply installations. Furthermore, it will include a study on water supply for rural populations along the aqueduct. To that end, the project will also contribute to the achievement of the Bank’s Rural Drinking Water Supply Initiative.

More specifically, the project aims to increase coverage of water requirements of the Nouakchott population by increasing the daily drinking water production.

## Description

The project comprises the following main components:

- Supply structure and pumping stations aimed at drawing water from the Senegal River and transferring it to the Béni-Nadji pre-treatment station;

- Water treatment structures;
- Raw water transfer pipes from the Nouakchott supply
- Pre-treated water conservation pool at Nouakchott;
- Drinking water transfer pipes;
- Consultancies, inspection and supervision of works; and
- Institutional support and project management.

## Expected Outcomes

The project intends to:

- Improve drinking water supply for Nouakchott residents;
- Mobilize water for rural populations located along the aqueduct.





# Rural Drinking Water Supply and Sanitation Project in the South

<b>ADF Loan Amount</b>	UA 9.70 million
<b>Co-financiers</b>	Community Beneficiaries, Government of Mauritania
<b>Approval Date</b>	November 2006
<b>Expected Completion Date</b>	December 2010
<b>Location</b>	Three regions: Hodh El Chargui, Assaba and Gorgol
<b>Executing Agency</b>	Ministry of Water Resources

## Background and Objective

In Mauritania, there is limited access to drinking water and sanitation facilities, especially in rural areas. In response to this concern, the government designed a national water supply and sanitation program for the year 2015. The national program is in line with the Bank's Rural Water Supply and Sanitation Initiative which aimed, inter alia, at accelerating access for rural communities to adequate water and sanitation systems.

The Bank Group is financing a project in the rural areas of the southern part of the country which embodies aspects related to integrated water resources management. It lays emphasis on environmental protection and the integration of women in the development process.

The project's specific objective is to improve drinking water supply in rural communities; provide adequate sanitation to rural communities; and contribute to efforts at improving the performance of rural drinking water supply and sanitation.

## Description

The project will be implemented through the following activities:

- Provision of a modern water point to rural dwellers and all the rural localities;
- Set up an efficient system of sanitation in all the rural localities;
- Develop water management and sanitation structures ; and
- Sensitize and involve communities in the design and management of drinking water supply structures.

## Expected Outcomes

The project intends to:

- Develop drinking water supply structures;
- Install adequate household and public latrines;
- Conduct awareness campaigns among communities; and
- Training actors.





# West Brakna Irrigation Scheme Project

<b>ADF Loan Amount</b>	UA 2.67 million
<b>NTF Loan Amount</b>	UA 4.30 million
<b>Co-financiers</b>	Government of Mauritania and Beneficiaries
<b>Approval Date</b>	November 2004
<b>Expected Completion Date</b>	December 2010
<b>Location</b>	Right bank of River Senegal–Brakna Area
<b>Executing Agency</b>	National Rural Development Company

## Background and Objective

With over 80% of its land mass in the desert zone and an average annual rainfall of 100 mm, Mauritania has based its rural development and poverty reduction strategies on irrigation. The country's long-term vision in this respect is to transform the River Senegal Valley into one of the major sources of its development and economic growth. In line with this, the government set up a program which sets out the modalities for intervention in the irrigation sub-sector through technical, economic, legal and institutional measures for a revitalized agricultural development.

The Bank Group provided a grant to conduct a study on an irrigation scheme for natural infrastructural units in West Brakna. The study enabled the government to explore possibilities for emergency intervention to improve food security and the living conditions of the communities concerned.

Furthermore, the current project objective is to increase irrigated and agricultural outputs and increase farming incomes in a sustainable manner.

## Description

The project will be implemented through the following activities:



- Construction, rehabilitation and improvement of core water infrastructure;
- Capacity building of farmers' organisations;
- Project management.

## Expected Outcomes

The project intends to:

- Increase agricultural production;
- Improve food security;
- Increase farmers incomes;
- Create jobs; and
- Reduce poverty.

## Line of Credit to “Banque pour le Commerce et l’Industrie”



<b>ADB Loan Amount</b>	US\$ 8 million
<b>Approval Date</b>	July 2008
<b>Expected Completion Date</b>	December 2011
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Banque pour le Commerce et l’Industrie

### Background and Objective

The Mauritanian government has undertaken several initiatives to boost the private sector’s impact and improve the enabling business environment. Mauritania’s private sector policy calls for an increase in the pace of SME creation and the upgrading of existing enterprises. This trend is expected to lead to an intensification of demand for longer-term debt financing in the country.

The Bank Group is supporting commercial banks to deepen the local financial market and, in particular, to strengthen the SME segment. In line with that, by providing term funding to the Banque pour le Commerce et l’Industrie (BCI), the Bank Group will enable it increase its on-lending activities to SMEs operating in the construction, commercial, manufacturing, tourism, agribusiness, fisheries, and service sectors. BCI is targeting existing export-oriented SMEs with high growth potential, with a view to modernizing, expanding and / or rehabilitating their operations.

The project’s objective is to help develop the SME sector and contribute to Mauritania’s economic development.

### Description

The project will be implemented through the following:

- A line of credit being provided for on-lending to SMEs



operating in the construction, commercial, manufacturing, tourism, agribusiness, fisheries, and service sectors.

### Expected Outcomes

Specifically, the project intends to:

- Extend the SME sector’s contribution to economic development;
- Develop entrepreneurship and technical skills;
- Create new jobs;
- Develop the infrastructure sector;
- Increase the use of raw materials;
- Increase exports;
- Increase tax base and government revenues; and
- Reduce incidence of poverty through financial and SME sector development

# Line of Credit to Mauritania Leasing



<b>ADB Loan Amount</b>	US\$ 5 million
<b>Approval Date</b>	July 2008
<b>Expected Completion Date</b>	December 2011
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Mauritania Leasing



## Background and Objective

The Mauritanian government has undertaken several initiatives to boost the private sector's impact and improve the enabling business environment. The Mauritanian private sector policy calls for an increase in the pace of SME creation and the upgrading of existing enterprises. This trend is expected to lead to an increase in demand for more flexible financing means to meet the investment requirements of small enterprises with respect to the procurement of equipment.

The Bank Group is supporting this agenda by providing term funding to Mauritania Leasing. The line of credit will enable Mauritania Leasing to increase its on-lending activities and new bankable and viable projects.

The project objective is to finance the procurement of

equipment, materials, and immovables for leasing to SMEs operating in Mauritania's commercial, industrial, agricultural, fisheries, and services sectors.

## Description

The project will be implemented through:

- The provision of a line of credit for on-lending to finance the procurement of equipment, materials, and immovables for leasing to SMEs operating in the commercial, industrial, agricultural, fisheries, and services sectors.

## Expected Outcomes

Specifically, the project intends to:

- Increase the SME sector's contribution to economic development;
- Expand the SMEs production and modernize industry's production facilities;
- Create new jobs;
- Transfer technology and develop local entrepreneurial and technical skills;
- Increase the use of raw materials;
- Increase exports;
- Increase tax base and government revenues; and
- Reduce poverty and gender inequity.

# Project to build the capacities of Microfinance Stakeholders (PRECAMF)



<b>ADF Loan Amount</b>	UA 5.98 million
<b>Co-financiers</b>	Government of Mauritania
<b>Approval Date</b>	March 2007
<b>Expected Completion Date</b>	December 2012
<b>Location</b>	Nouakchott, Gorgol, Guidimaka, Assaba, Brakna, Hodh El Gharbi, Hodh EchChargui, Trarza, and Tagant
<b>Executing Agency</b>	Direction de l'Insertion du Commissariat aux Droits de l'Homme, à la Lutte Contre la Pauvreté et à l'Insertion

## Background and Objective

In 2003, the government prepared and adopted its National Microfinance Strategy (NMFS) designed to improve access to sustainable financial services for the poor. However, the weak operational and organizational capacities of Mauritania's microfinance institutions (MFI) and their limited financial autonomy, impeded the development of microfinance in the country.

The combined support of several partners, the Bank Group in particular, through the Poverty Reduction Project (PRP) financed by the ADF from 1998 to 2004 and the African Development Bank Initiative for Micro-Finance in Africa (AMINA) from 1998 to 2000, have contributed significantly to the emergence of microfinance in Mauritania.

Furthermore, the Bank is supporting Mauritania's micro-finance industry through this project which will finance capacity building for microfinance operators. The objective

of the project is to build stakeholder capacity with respect to supply and demand for microfinance services, with a view to improving access to sustainable financial microfinance services for poor workers in order to reduce poverty.

## Description

The project will be implemented over a five-year period and it comprises the following three components:

- Improving microfinance supply services;
- Improving demand and financial services; and
- Providing project management

## Expected Outcomes

The project intends to:

- Make the supervision and control environment conducive for microfinance development;
  - Extend the supply of microfinance services to the majority of the population;
  - Improve demand for financial services;
  - Adapt the services and products of microfinance institutions to customer needs; and
- Strengthen the capacity to supervise the microfinance sector.







## SNIM Expansion Project: GUELB II

<b>ADB Loan Amount</b>	US\$ 175 million Senior Loan, and US\$ 1 million Technical Assistance (FAPA) grant
<b>Co-financiers</b>	SNIM, Other Commercial Banks, EIB, AFD, IDB.
<b>Approval Date</b>	September 2009
<b>Expected Completion Date</b>	December 2013
<b>Location</b>	Zouerate
<b>Executing Agency</b>	The National Industrial and Mining Company



### Background and Objective

The Mauritania's mining sector is one of the country's engines of economic growth. The sector's position has been strengthened in recent years under the impetus of a dynamic mining policy aimed at enhancing the sector's attractiveness for private investment, diversifying mining production and thereby reducing the economy's vulnerability. The main challenge lies in completing major ongoing investment projects at the National Industrial and Mining Company (SNIM) likely to enable the mining company, within a short time-frame, to increase its production capacity by an additional 4 million tons per year of higher quality iron ore, thus increasing overall capacity to about 15 million tons per year.

The project is in line with the AfDB's private sector development strategy. It will enable the Bank to reaffirm more than three decades of strategic partnership with a

world-class industrial company, supporting SNIM in developing and sustaining its activities.

The project's objective is to increase SNIM's contribution to government revenue and the local economy and to improve the environmental management system for an ISO 14000 certification.

### Description

The project will be implemented through the following activities:

- Construction and operation of a new enrichment plant and related infrastructure;
- Building SNIM's institutional capacity for the environmental management and monitoring of projects;
- Technical assistance which will use the FAPA grant to fund SNIM Foundation's capacity building.

### Expected Outcomes

Specifically, the project intends to:

- Increase government revenue;
- Create job opportunities for nationals;
- Increase technical training; and
- Improve SNIM environmental and social management of its projects.

# Education System Development Support Project (PNDSE)



<b>ADF Loan Amount</b>	UA 8.30 million
<b>Co-financiers</b>	Government of Mauritania
<b>Approval Date</b>	November 2001
<b>Expected Completion Date</b>	March 2010
<b>Location</b>	Rosso
<b>Executing Agency</b>	Directorate of Education and Training Projects (DPEF)

## Background and Objective

There is a recurrent need to improve the quality of education, research/development and strengthen equity within the Mauritanian system. The government believes that certain key thrusts of the educational system reform lie in the professionalization and introduction of short training courses to create an enabling environment to improve necessary skills to meet the country's social development, economic productivity and competitiveness needs.

Within the context of the educational system reform, the extension and upgrading of the Rosso Training Institute addresses the double concern for efficiency and anticipation of national development exigencies. The Bank Group is therefore supporting this institute with the specific objective of diversifying education supply, improving the quality of instruction and research with a view to providing intermediate technical training (senior technicians) and senior managers (engineers) in agro-pastoral, forestry and food technology fields.

## Description

The project has the following components:

- Developing basic infrastructure (ISET in Rosso);
- Institution building;
- Supporting research/development, teaching and technological innovations; and
- Supporting project management structure.

## Expected Outcomes

The project intends to:

- Rehabilitate and equip the Institut Supérieur d'Enseignement Technologique (ISET) in Rosso;
- Review institutional set-up and governance at the tertiary level;
- Encourage and sustain research and development; and
- Strengthen and make fully operational the planning, management and follow-up mechanism.

## Ongoing technical assistance and economic sector works in Mauritania



Project name	Sector	Approval date	Amount in million
The project for the strengthening of the Economic and Financial Programming (PARPEF)	Financial	February, 2007	UA 0.487
Integrated Water Resource Management Project (AGIRE)	Water Supply and Sanitation	November, 2007	UA 0.460



الصويرة 181  
ESSAOUIRA

أكادير 212  
AGADIR



# Morocco



Membership year	1964
Start of lending operations	1970
Number of ADB operations approved, 1967-2009	103
Number of ADF operations approved, 1974-2009	9
Cumulative Bank Group Approvals in UA million, 1967-2009	5117.99
Subscribed capital (%) as of December 31, 2009	3.313
Total voting power (%) as of December 31, 2009	3.273
Number of ongoing operations	17
Total loan amount of ongoing operations in UA million	1,244.66
Number of newly approved operations	7
Total amount of newly approved operations in UA million (2009)	583



## The Kingdom of Morocco

### Key Features

The Kingdom of Morocco, which is located in the North-Western part of the African continent, has an extensive hydrographic network composed of great rivers and Wadis and two 3,500 km long coastlines. Morocco is a constitutional, democratic and social monarchy. It has a bicameral parliament, with a Chamber of Representatives and a Chamber of Counsellors.

Morocco's economy grew by 5% in 2009, although the end of the year was difficult due to the global financial crisis. This recovery after the modest growth performance in 2007 (2.7%), was due to a generally satisfactory harvest, attributable, in turn, to more abundant rainfall than in the previous year.

The energy sector continued its growth in 2008, pushed by steadily increasing domestic demand. Electric power generation grew by 7.8% in the year to September over the same period in 2007, on the strength of a 25.2% rise in thermal generation. The main indicators for construction continued their steady improvement, thanks to large-scale infrastructure projects around the country and easier access to credit.

The tertiary sector, which contributed 59% of GDP in 2007, was primarily driven by trade, tourism, transport, telecommunications and financial services. Despite the

difficult international financial and economic climate, the sector expected to perform well in 2009, with projected growth of 5.9% in value added.

Efforts to reduce poverty have brought results: the relative poverty rate fell by 6.3% between 2001 and 2007, from 15.3% to 9%. As a result, 1.7 million Moroccans have emerged from poverty, and 1.2 million from vulnerability. This improvement in living standards is observed in all living environments. The rural poverty rate fell from 7.6% in 2001 to 4.8% in 2007, while in urban areas the decline was faster, from 25.1 to 14.5% over the same period. The vulnerability rate has declined by 5.3%.

The rate of HIV/AIDS prevalence in the overall population is very low (0.08% in 2008) and virtually unchanged since 2000, indicating that the government's preventive education and awareness-raising policy has been effective.



## Statement by Mrs. Amani Abou-Zeid **Morocco Field Office Resident Representative**



The opening of the Bank's Morocco Field Office (MAFO) in 2006 falls within the context of the implementation of the Bank's decentralization policy in regional member countries. This policy is founded on the Bank's desire to move closer to its clients and key economic actors, and to better coordinate its activities with other development partners.

MAFO plays a major role in strengthening dialogue with the Moroccan government and other development partners, as well as monitoring the Bank's portfolio. Since MAFO began operations in 2006, partnership between the Bank and Morocco and cooperation with other development partners has improved considerably. On the ground, the Bank regularly collaborates with bilateral and multilateral partners through frequent consultations and meetings, joint activities (project and program identification, preparation, appraisal and supervision) and information exchange (analytical work, etc.). Through MAFO, the Bank is a member of thematic groups of development partners on water and sanitation, energy, environment and natural resources, education and health. These initiatives contribute to strengthen the Bank's role in coordinating aid in the field.

MAFO has also been instrumental to building the Bank's capacity to monitor and manage operations on the ground. In 2009, the office conducted a review of the operations portfolio, at the end of which, a significant improvement of the portfolio was recorded. Furthermore, regular discussions between MAFO and Moroccan authorities make it possible to identify problems and priority actions to be taken to improve project implementation. Lastly, the close assistance offered by MAFO highlights all the benefits of the Bank's presence on the ground.

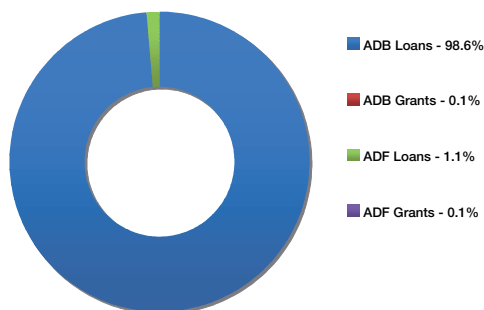


## Overview of Bank Group Operations in Morocco

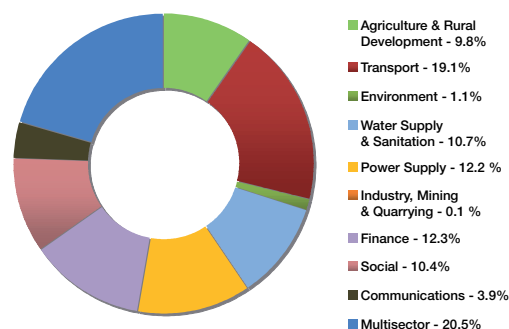


Morocco is the Bank Group's first largest beneficiary. Since 1970, the Bank has approved 103 operations for cumulative commitments amounting to UA 5,117.99 million, 98.6% of which are ADB loans, 0.1% are ADB Grants, 1.1% are ADF loans and 0.1% ADF Grants. Morocco is one of the Bank's largest borrowing clients, accounting for 16.5% of the entire total lending under the ADB window. The active portfolio's growth and the significant increase in commitments approved by the Bank between 2007 and 2009 have made Morocco the Bank's leading borrower with 22% of the institution's current total commitments. In fact, while the amount of financing approved for Morocco by the Bank in 2007 stood at UA 182 million, it rose to UA 192 million in 2008 and increased to approximately UA 600 million at the end of 2009. By significantly increasing its operations (more than 200% in 2009 compared to 2008), the Bank has responded actively to the financial requirements of the Moroccan economy within a global context marked by severe economic crisis, while complying with its financial stability rules and prudential ratios.

**Cumulative Bank Group Loans & Grants by institution in Morocco (1970-2009)**



**Cumulative Bank Group Loans & Grants by Sector in Morocco (1970-2009)**



Since starting operations in Morocco, the Bank has developed a diversified portfolio. Operations financed by the Bank cover multi-sector projects, which represent about 20.5% of the cumulative portfolio, as well as the transport, finance and power supply projects, which account for 19.1%, 12.3%, and 12.2% of the resources, respectively.

Bank Group interventions in the water and sanitation sector accounted for 10.7%, the social sector for 10.4%, agriculture and rural development sector for 9.8% and the rest which is 5.1% was invested in the communications sector, the environmental sector and industry, mining and quarrying sector.

### Transport Sector

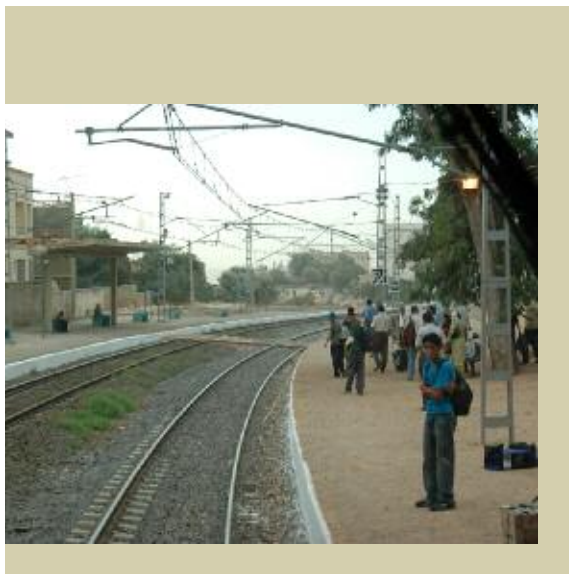
The transport sector plays a primordial role in Morocco's economy, not only in the transportation of goods and passengers internally, but also in developing the country's

economic and social cohesion, and ensuring Morocco's integration into the global economy. The sector's asset base is composed of 60,000 km of road, 639 km of highways, 2000 km of railroad, 19 airports (of which 12 are international) and 12 commercial seaports. From the economic and social standpoint, the entire transport sector accounts for about 6% of GDP on average, employs 10% of the labour force, and is responsible for 21% of national energy consumption. Over the last few years, a broad-based process to modernize the various modes of transport has been resolutely initiated with the launching of major projects and institutional reforms.

The Bank Group has so far approved 13 operations in the transport sector and supported reforms to promote liberalization, greater competitiveness, professionalization and de-monopolization. As a result, the transport sector has grown and witnessed a steady increase in private investments.

## Energy Sector

Morocco depends almost exclusively on external supplies for energy, as the country's hydroelectric power stations depends on climatic factors, particularly rainfall.



Consequently, it relies heavily on thermal facilities to supply electricity. This has had adverse implications on the cost of generating electricity, especially when the price of oil rises.

Since 1967, the Bank has financed 15 operations in the energy sector, totalling UA 523.06 million. These operations have strengthened the interconnection of electric power transmission systems between Morocco, Spain and Algeria, and have increased the total installed power generation capacity to satisfy total demand for electricity.

## Water and sanitation sector

The Kingdom of Morocco has made major gains in potable water supply in terms of service quality and the level of technology attained. Since 2001, government reforms have called for a new approach based on integrated and sustainable water management to generate new momentum within the rural sector which has helped close the coverage gap between urban and rural areas ensuring homogeneity of interventions in all areas.

To further reinforce interventions in the sanitation sector, the Moroccan government has designed a national sanitation plan to control the impact of sewage discharge on the environment and protect public health in order to attain set goals by 2020. The Bank Group has financed 19 operations worth more than UA 544 million, with the aim of helping to save and preserve water resources and ensure better financial resources mobilisation and allocation in the water and sanitation sector.



## Multi-sector (Support to Reforms)

In recent years, Morocco has initiated substantial economic and financial reforms. The main objectives of these reforms in various fields have been to consolidate macroeconomic stability, strengthen public finance management, modernize the financial sector, improve the business environment and raise the effectiveness of the public administration. The total amount of the Bank's support to these reforms has exceeded UA 1200 million.



In the financial sector, which plays a key role in funding the country's economy, a modernization agenda has been pursued through the past two decades for optimal alignment with international standards. The Bank Group

has supported these reforms through five major operations for a total of UA 496 million. These operations have generally contributed to the desired modernization of the sector, thereby improving the competitiveness of the economy and creating an environment conducive to private sector development.

With regard to the public administration, Morocco has embarked on a vast program of reforms with three main objectives: (i) forging a modern administration that can contribute to the competitiveness of the national economy; (ii) improving public service quality, and (iii) streamlining administrative procedures. The Bank has supported these reforms through three major programs for a total of approximately UA 240 million. This support has made for improved governance and allocation of state budgetary resources, which are at the heart of the government's concerns.

## Social Sector

Morocco is resolutely pursuing the Millennium Development Goals (MDG). To that end and as part of the Human Development Initiative (HDI), launched in 2005, the country's budget priorities entail a redistribution of wealth with the aim of combating poverty, precarity and social exclusion. The Bank is backing Morocco's efforts in these respects with different operations (sector budget support, technical assistance operations, etc.), mainly in the Education and Health sectors. As at 31 December 2009, Bank intervention in the social sector represented over 10% of the total funds approved in Morocco's favor. These operations, building up to a total investment of UA 400 million from 1970, have helped to enhance the country's social indicators.



## Bank Group Strategy & Ongoing Activities in Morocco

The Bank Group's strategy for Morocco is consistent with the priorities of the country's national development agenda, and it focuses on the following three pillars: governance system consolidation; infrastructure and enterprise development and modernization, and human development promotion. With respect to improving governance, the African Economic Outlook (AEO-2009) observes that the Kingdom of Morocco is working to promote local governance by strengthening financial autonomy, the decision-making process and delegation of powers. The resulting budgetary decentralisation is designed to ensure that local authorities are attentive to performance-related, transparency and accountability, in accordance with the results-based management approach adopted in 2003. The government's commitment to devolution and decentralisation is also reflected by the creation of provincial technical committees and regional investment centres in 2007 to support regional and local follow-up to actions taken by the central authorities.

With regard to developing and upgrading economic and corporate infrastructure, the government plans to place the Moroccan economy on a path to sustained and robust growth by adopting a resolute approach to complete structural reforms. There are therefore many structural reforms on the government's agenda. These include liberalizing trade; reforming public administration, the transport sector, justice, education, and water and sanitation sector; privatizing public corporations; reforming the banking and financial sector; designing a new labor code; and conducting tax reforms. These reforms are relevant and their implementation has already led to an increase in general economic productivity.

For the third pillar, the 2009 AEO indicates that the implementation of the National Education and Training Charter is still consuming a large share of the central government's budget. The educational budget has increased by an annual average of 5% since 2005, reaching MAD 152 billion in 2008. Furthermore, the

Kingdom of Morocco is committed to boosting progress towards universal basic education and reducing the proportion of children out of school in rural and peri-urban areas.

In partnership with other development partners, the Bank Group has, over the past five years, coordinated interventions in Morocco. Such partnerships are mainly in the infrastructure sector (water and sanitation, energy and transport), as well as in the social sectors (education and health). In the water sector, the Bank Group and other partners have financed the drinking water supply program. In the energy sector, the Bank Group, in collaboration with other development agencies, financed a project to reinforce the interconnection of electric power transmission systems between Morocco, Spain, and Algeria. In the transport sector, the Bank Group, in cooperation with other partners, financed the second phase of the national rural roads program.

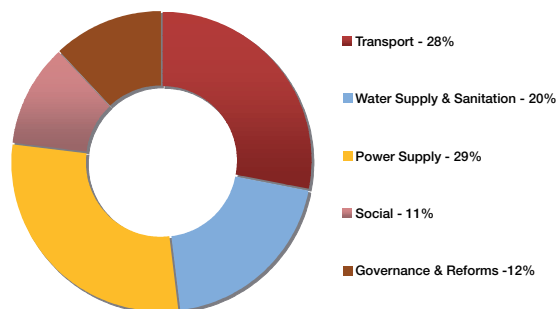


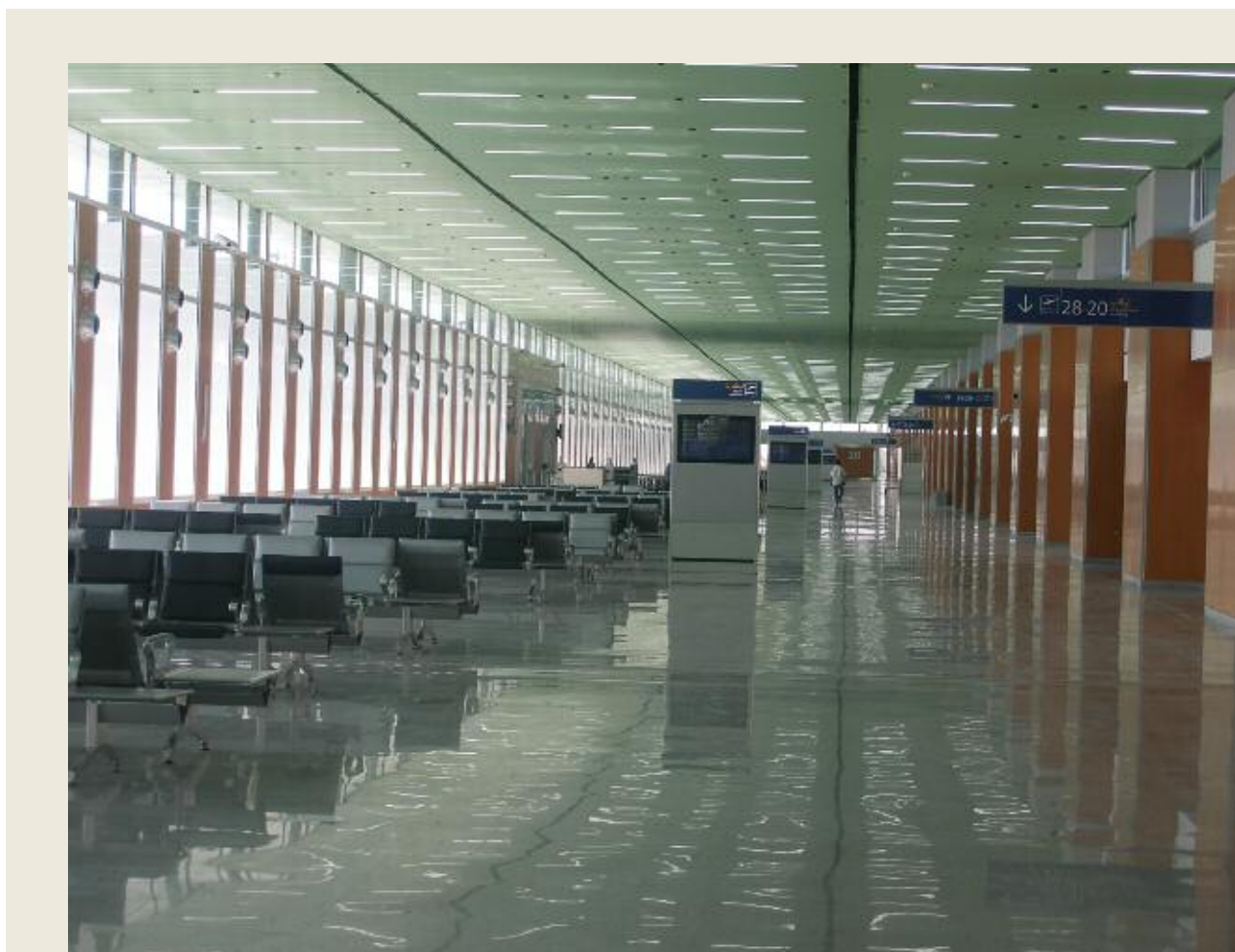


The Bank Group's ongoing portfolio in Morocco, as of December 31, 2009, had 17 operations, representing a total commitment of about UA 1,244.66 million. The portfolio's sector breakdown shows a high concentration on infrastructure, which accounts for 67% of commitments. More specifically, the operations are distributed between the transport sector (28%), the electricity sector (29%), water and sanitation (20%), the social sector (11%) and governance (12%).

The Bank has also provided advisory services and prepared analytical works, particularly with resources from the Middle Income Countries Trust Fund. In this regard, technical assistance activities have been carried out for Morocco to support the implementation of several sector reforms. For instance, the health sector recorded three technical assistance operations for the National Health Insurance Agency and the National Social Insurance Fund in 2006, and the Ministry of Health in 2008 for the upgrading of its information system. Another technical assistance operation for Oases in South Morocco was approved in 2009.

**Structure of the current portfolio by sector in Morocco**







# Construction of Marrakesh-Agadir Motorway Project

<b>ADB Loan Amount</b>	UA 101 million
<b>Co-financiers</b>	IDB, AFESD, JBIC, KFAED, Kingdom of Morocco The Motorways Company of Morocco
<b>Approval Date</b>	July 2006
<b>Expected Completion Date</b>	December 2011
<b>Location</b>	Marrakesh-Agadir
<b>Executing Agency</b>	The Motorways Company of Morocco

## Background and Objective

The government's policy aims to upgrade the road transport sub-sector through improved services to users, thereby enhancing its competitiveness and liberalizing the activities of the sector. In this context, the government has undertaken the implementation of several structuring projects such as the Tangiers-Med Port and the Trans-Maghreb Motorway. The government aims at providing a wide range of services throughout the country by expanding the road network and promoting a high level of integration for international trade (motorways, ports, airports, etc.).

The Bank's assistance strategy in the area of infrastructure is generally characterized by: (i) support to ongoing reforms and (ii) strengthening and modernizing infrastructure. The support to these areas will be geared towards promoting private sector participation in investment. Currently, the Bank is co-financing the construction of the Marrakesh-Agadir Motorway.

Specifically, the project will help build transportation capacity between Marrakesh and Agadir and will improve living standards in the project area through the development of productive activities. It will also contribute to efforts at reducing vehicle operating costs and enhance road transport safety between Marrakesh and Agadir.

## Description

The project comprises the following components:

- Construction of the Marrakesh-Agadir Motorway, namely; the construction of the 4th section of the itinerary (Immantaout- Chichaoua (33 km) financed by ADB ;
- Undertaking environmental management and measures; and
- Undertaking project management.

## Expected Outcomes

The project intends to:

- Decrease vehicle operating costs;
- Reduce travel time between Agadir and Marrakesh;
- Improve road safety between Agadir and Marrakesh; and
- Create jobs.





## Third Airport Project

<b>ADB Loan Amount</b>	€ 240 million
<b>Co-financiers</b>	Kingdom of Morocco/National Airports Authority
<b>Approval Date</b>	April 2009
<b>Expected Completion Date</b>	December 2013
<b>Location</b>	Casablanca, Fez, Agadir, Marrakech and Rabat
<b>Executing Agency</b>	National Airports Authority

### Background and Objective

The government's policy is designed to upgrade the road transport sub-sector through improved services to users, thereby enhancing its competitiveness and liberalizing the activities of the sector. However, Morocco has, recently, experienced a significant and rapid increase in various traffic categories, leading to the saturation of the operational capacities of the airports concerned. This upsurge in passenger traffic requires infrastructure and equipment adaptation to meet demand, and enable the major airports concerned to provide quality services in line with international standards.

The Bank has become a strategic partner in the air sub-sector. The present project is a continuation of previous operations, and the relevant experience acquired in their

management will be useful in the implementation. Specifically, the project's objective is to increase airport operational capacity by upgrading infrastructure, expanding the air navigation system, and reinforcing ground security facilities.

### Description

The project comprises the following components:

- Construction of a control centre;
- Rehabilitation and expansion of terminals, aeronautical infrastructure and cargo platforms;
- Development of terminal installation and related facilities;
- Strengthening of the training system.

### Expected Outcomes

The project intends to:

- Upgrade airport infrastructure and facilities to meet international standards;
- Improve the quality and efficiency of air services in line with international standards;
- Complete coverage of the Moroccan sky by the air control service, and become a continuum of the European space; and
- Create jobs.



# National Rural Roads Program

<b>ADB Loan Amount</b>	UA 38.71 million
<b>Co-financiers</b>	WB, AFESD, EIB, AFD
<b>Approval Date</b>	September 2007
<b>Expected Completion Date</b>	December 2013
<b>Location</b>	Rural areas (23 provinces of the country, as regards the part financed by the Bank)
<b>Executing Agency</b>	Road Fund Agency with supervision and monitoring of the works delegated to the Directorate of Roads and Road Traffic

## Background and Objective

Rural development is one of the grassroots policy objectives advocated by the Moroccan government and represents a major challenge in the overall development of the Kingdom. In this connection, basic infrastructure, in particular, access roads, is a key element of the social and economic development strategy for rural areas. To implement this strategy, the government has put in place rural development programs and the resources necessary to speed up the construction of basic facilities, in order to meet pressing needs to open up the territory within a reasonable period of time.

Hence, following the first national rural roads program completed in 2005, a second national rural roads program was designed by the government, with the aim of raising the level of road access to the rural populations to 80% by 2015. The second program will therefore help bring the population closer to administrative and economic centres, enabling them to produce more and at lower cost, increase their incomes and improve their social welfare.

The program is among the government's priority actions in the transport sector for the 2006-2010 period and it is in line with the Bank Group's strategy in Morocco. The specific objective of the Bank's project is to help with efforts at providing rural populations with access routes and outlets and improving transportation services in rural areas.

## Description

The project comprises the following components:

- Construction of paved and earth roads;
- Construction drainage systems;
- Installation of related works;
- Inspection and supervision of works; and
- Audit operations.

## Expected Outcomes

The project intends to:

- Provide road access to the rural population;
- Increase of incomes in rural areas through the improvement, in particular, of agricultural production and better access to markets;
- Improve transport conditions and availability at all times;
- Improve access to socio-educational, health and security services for children and women in particular; and
- Create jobs.



# The Ain Beni Mathar Solar Thermal Power Station Project Supplementary Loan

<b>ADB Loan Amount</b>	UA 135.48 million
<b>Co-financiers</b>	Kingdom of Morocco/ National Electricity Authority, Spain Cooperation
<b>Approval Date</b>	December 2007
<b>Expected Completion Date</b>	December 2014
<b>Location</b>	North-Eastern part of the Kingdom
<b>Executing Agency</b>	National Electricity Authority

## Background and Objective

Morocco is structurally dependent on external sources for its power supply. Its energy deficit has been on the increase since 1998 due to the combined effect of rapid population growth and an increase in average energy consumption per capita and per year. In a bid to address this situation, the National Electricity Authority initiated a series of electric power generation projects based on the development of renewable resources. Such projects include the energy transfer pumping station (STEP) in Afourer and the wind farms in Sim and Tangiers.

Furthermore, the National Electricity Authority is promoting the use of solar energy to generate electricity to meet the country's power needs at lower costs under satisfactory conditions of regular power supply and quality service. The Bank Group provided an additional loan intended to cover the additional cost arising from changes in the technical specifications of the power station and the layout of the electricity transmission network. These changes are necessary in view of the delay in the implementation of the program to extend electric power generation facilities coupled with a higher increase in electricity demand than initially expected.

The sector goal of the project is to generalize access to electricity and develop renewable energies. Its specific objective is to help ensure a steady supply of electricity to the country, diversify energy sources and reduce greenhouse gas emissions.

## Description

The project's main components include:

- The installation of an electric power station, 220 and 60kV lines and extra high voltage and high voltage substations;
- The constructing of access roads and two bridges;
- The procurement of ing land;
- Drilling and sinking of at least two boreholes;
- The construction of the connection to the gas pipeline; and
- The provisionproject management services.

## Expected Outcomes

The project intends to:

- Increase Morocco's power generation;
- Create new SMEs and increase productivity of existing ones;
- Create jobs; and
- Reduce greenhouse emissions.



# Electricity Transmission and Distribution Network Development Project

<b>ADB Loan Amount</b>	€ 110 million
<b>Co-financiers</b>	Kingdom of Morocco/ National Electricity Authority
<b>Approval Date</b>	December 2009
<b>Expected Completion Date</b>	December 2014
<b>Location</b>	Nationwide
<b>Executing Agency</b>	National Electricity Authority



transmission and distribution network development program without which reliable and secure power supply cannot be assured.

The project forms part of the electricity transmission and distribution network development program and specifically, the project aims to improve the performance of the power transmission.

## Description

The project's main components are:

- Construction of high voltage lines and substations;
- Reinforcement and expansion of high voltage and extra high voltage network;
- Provision of project management services.

## Background and Objective

The operation of Morocco's electricity network is fast approaching the permissible limits. Indeed, the current configuration of the extra high voltage and high voltage transmission network is fraught with major operational problems (saturation, appearance of constraints or overloads, increased level of losses and degradation of the level of security of supply). In view of the situation's seriousness and the growing demand for electrical energy, a transmission network reinforcement scheme was formulated by ONE. This is an offshoot of the electricity

## Expected Outcomes

The project intends to:

- Reduce power loss;
- Increase transit capacity;
- Increase installed power;
- Improve access to electricity; and
- Reduce greenhouse emissions.

# Ain Beni Mathar Solar Thermal Power Station Project

<b>ADB Loan Amount</b>	UA 113 million
<b>Co-financiers</b>	Kingdom of Morocco/National Electricity Authority, GEF
<b>Approval Date</b>	March 2005
<b>Expected Completion Date</b>	December 2010
<b>Location</b>	North-Eastern part of the Kingdom
<b>Executing Agency</b>	National Electricity Authority

## Background and Objective

Morocco is structurally dependent on external sources for its power supply. Its energy deficit has been on the increase since 1998 due to the combined effect of rapid population growth and an increase in average energy consumption per capita and per year. In a bid to address this situation, the National Electricity Authority initiated a series of electric power generation projects based on the development of renewable resources. Such projects include the energy transfer pumping station in Afourer and the wind farms in Sim and Tangiers.

Furthermore, the National Electricity Authority is promoting the use of solar energy to generate electricity to meet the country's power needs at lower costs under satisfactory conditions relating to regular power supply and quality services. The Bank's assistance strategy for Morocco in 2003-2005 partly focuses on supporting structural reforms and consolidation as well as modernizing infrastructure and promoting the development of Moroccan enterprises.

The project's sector goal is to generalize access to electricity and develop renewable energies. Its specific objective is to help ensure a steady supply of electricity to the country, diversify energy sources and reduce greenhouse gas emissions

## Description

The project's main components are:

- Installation of an electric power station, 220 and 60kV lines and high voltage and extra high voltage substations;
- Construction of access roads and two bridges;
- Procurement of land;
- Drilling and sinking at least two boreholes;
- Construction of the connection to the gas pipeline; and
- Provision of project management services.

## Expected Outcomes

The project intends to:

- Increase in Morocco's power generation;
- Create new SMEs and increase productivity of the existing ones;
- Create jobs; and
- Reduce greenhouse emissions.





# Financial Sector Development Support Program (PADESFI)



<b>ADB Loan Amount</b>	€162.0 million
<b>Approval Date</b>	December 2009
<b>Expected Completion Date</b>	December 2010
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Ministry of Economic Affairs and Finance (Treasury and External Finance Department)

## Background and Objective

The government's medium-term economic and social program for the period 2007-2012 aims at deepening macro-economic and sectoral reforms so as to deepen the diversification of its economy and enhance its competitiveness. In the financial sector in particular, the government aims at facilitating access to financing for SMEs; reforming the insurance system; developing venture capital; shortening the time taken by the state to pay debts owed enterprises; and encouraging micro-credit as well as promoting the creation of small enterprises by adapting the "Moukawalati" program to the environment and needs of the national economic fabric.

The financial sector assessment program implemented in 2008, records significant progress achieved by Morocco's financial sector. However, there are still challenges to be addressed in order to improve the financial sector's contribution to economic growth.

The Bank Group is supporting this project to help to address these challenges by consolidating the gains of PASFI completed in 2004 and extending its impact within a context of the global economic crisis. Specifically, the project will make it possible to (i) improve governance through the reinforcement of transparency and independence of the regulatory and control authorities; (ii) deepen the financial sector by diversifying financial instruments and improve access to financing for companies and access to banking services for the population.

## Description

The Bank has financed several budget support programs in Morocco, including 4 financial sector support program (PASFI I to IV), the public administration reform support program (phases I, II, III), the medical coverage support program (phases I and II) and, more recently, the education system emergency plan support program. Based on this experience, it will implement the project with a view to: (i) improving access to financial services for the population, (ii) improving access to financing for enterprises, (iii) reinforcing the control mechanism of the financial market and insurance sector, and (iv) deepening the financial market.

## Expected Outcomes

The project intends to:

- Increase the number of people using banking services;
- Strengthen the micro-credit sector;
- Improve the effectiveness of the national guarantee system;
- Develop the financing of enterprises, particularly for SMEs;
- Strengthen the supervision and control of the financial market;
- Revitalize the insurance sector and financial sector;
- Diversify financial instruments.

# National Education Emergency Support Program



<b>ADB Loan Amount</b>	€ 75 million
<b>Co-financiers</b>	AFD, FIV, EIB, EU, Kingdom of Morocco
<b>Approval Date</b>	March 2009
<b>Expected Completion Date</b>	December 2011
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Ministry of National Education, Higher Education, Management Training and Scientific Research

## Background and Objective

On the whole, a review of Morocco's educational system shows contrasts. First of all, in recent years, it has made remarkable progress in several areas. For instance, the enrolment rate reached 94% in 2007, thus approaching the objective of universal primary education. With regard to secondary education, enrolment has increased by 40% over the last seven years.

On the other hand, the illiteracy rate remains very high. This indicator stands at 43% at the national level and 60.5% in rural areas. Furthermore, 39.5% of girls aged 15 to 24 years are illiterate, with nearly 60% of them living in rural areas. Morocco's educational system also has weaknesses in terms of internal and external performance.

The national education emergency program is consistent with the Bank's intervention strategy as it focuses on structural reforms and improved governance in the educational sector. It will also help with efforts at developing human resources through increased availability of education and improved quality.

The proposed program aims at accelerating the implementation of reforms resulting from the National

Education and Training Charter by consolidating gains and making the necessary readjustments. Its specific objective is to make education available to all and improve the quality of teaching and performance of the educational system.

## Description

The project is centred on four components:

- Improvement of the quality and performance of qualifying secondary and university education;
- Access to education for all;
- Immediate resolution of cross-cutting problems in the education system; and
- Improvement of the management of the financial resources.

## Expected Outcomes

The key expected outcomes of this project are to:

- Increase enrolment in qualifying secondary and higher education;
- Improve availability of qualifying secondary education;
- Increase and upgrade university infrastructure;
- Reduce repeat and drop-out rates;
- Promote initiative and excellence; and
- Promote and develop scientific and technical research.



# Medical Coverage Reform Support Program

## Phase II (PARCOUM II)



<b>ADB Loan Amount</b>	€ 70 million
<b>Co-financiers</b>	EU
<b>Approval Date</b>	December 2008
<b>Expected Completion Date</b>	December 2011
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Ministry of Health represented by its focal point, the Department of Planning and Financial Resources

### Background and Objective

The medical coverage reform support program (PARCOUM) was designed by the Moroccan government with the support of its development partners, including the African Development Bank (AfDB) Group. The program's first phase, covering the period 2002-2006, was delivered through sector budget support with parallel financing from the European Commission (EC) and helped to strengthen Basic Medical Coverage. The ongoing PARCOUM II builds on the above described achievements and supports the government's reform program for the period 2008-2012. It aims at sustainably improving access to quality health services through the extension of BMC to the entire population, in particular, the economically disadvantaged.

### Description

PARCOUM II targets key reform measures in three areas, namely: (i) operationalizing the medical assistance scheme for the disadvantaged, known as RAMED (Régime d'Assistance Médicale aux Economiquement Démunis), through a pilot phase in one province and extension to other provinces; (ii) improving the supply of health services with a view to ensuring the availability of priority services to the whole population, including, in particular, RAMED patients and (iii) enhancing sector governance through

increased capacity to regulate the health system and manage BMC reforms. AfDB support is to be delivered through a two-tranche budget support operation, whose first tranche was released in 2009. At the institutional level, PARCOUM II helps strengthen central and decentralized structures responsible for steering, implement and monitor-evaluate the BMC reform, in particular, the health ministry, the interior ministry, health care facilities and specialized agencies such as the National Health Insurance Agency (ANAM).

### Expected Outcomes

The project intends to:

- Implement and finance RAMED (Medical Assistance Scheme for the Economically Underprivileged) for the entire poor and vulnerable populations;
- Support effective access to priority health care for all RAMED beneficiaries;
- Reduce the share of households in health financing;
- Identify and manage the disadvantaged populations not covered by RAMED and other schemes;
- Improve health care availability;
- Increase satisfaction of users of health services; and
- Operationalize and raise the technical and managerial capacities of agencies involved in the implementation of BMC reform.

# The Eighth Drinking Water Supply and Sanitation Project

<b>ADB Loan Amount</b>	UA 59.76 million
<b>Co-financiers</b>	Kingdom of Morocco/National Drinking Water Authority
<b>Approval Date</b>	November 2004
<b>Expected Completion Date</b>	December 2010
<b>Location</b>	North and central regions of Morocco
<b>Executing Agency</b>	National Drinking Water Authority

## Background and Objective

In Morocco, the supply of drinking water has always been a major concern for the population because of the variable climate characterised by years of drought. Socio-economic conditions of water use have changed significantly over the past few decades on account of rapid population growth, continuing improvement in living standards, rapid urbanisation and industrial development. This socio-economic change has led to a huge rise in demand for drinking water and accentuated regional diversities. Very few areas have adequate purification and raw wastewater is released directly into the natural environment (seas, rivers, wadis, nature, pits), polluting the groundwater table and depleting the water resources that can be used to supply drinking water to the population.

This project was designed in line with priorities determined by the National Drinking Water Authority in its 2003 -2007

investment program and approved by the government. Its specific objectives are to ensure sustainable supply of drinking water to several towns and cities and to the new tourist and port complexes, to improve drinking water access in rural areas not on the supply network, and to improve the sanitary conditions as well as protect and preserve water resources.

## Description

The project includes the following main components:

- The supply of water to new tourist zones and upgrade drinking water supply networks;
- The construction of a wastewater purification station at Sidi Taibi;
- The acquisition of land;
- Undertaking geotechnical control (laboratory tests); and
- Carrying out studies, works supervision and monitoring

## Expected Outcomes

The project intends to:

- Increase the water flow at the treatment plant; and
- Increase the availability and ensure sufficient provision of good quality resources.



# Ninth Drinking Water Supply and Sanitation Project



<b>ADB Loan Amount</b>	UA 72.79 million
<b>Co-financiers</b>	Kingdom of Morocco National Water Drinking Authority
<b>Approval Date</b>	July 2006
<b>Expected Completion Date</b>	December 2011
<b>Location</b>	The provinces of Chefchaouen, Azilal, Kénitra and Settât and Khouribga
<b>Executing Agency</b>	National Water Drinking Authority

## Background and Objective

In Morocco, the supply of drinking water has always been a major issue of concern for the population because of the variable climate characterised by years of drought. Socio-economic conditions of water use have changed significantly over the past few decades on account of rapid population growth, continuing improvements in living conditions, rapid urbanisation and industrial development. This socio-economic change has led to a huge rise in demand for drinking water and accentuated regional diversities. Very few areas have adequate purification and raw wastewater is released directly into the natural environment (seas, rivers, wadis, nature, pits), polluting the groundwater table and depleting water resources that can be used to supply drinking water to the population.

This project was aligned with the priorities determined by the National Water Drinking Authority in its 2003-2007 investment program and approved by the Government. The project is consistent with the Bank’s strategy which aims at making drinking water accessible to all the

populations of its regional member countries and backing socio-economic development projects in neglected areas.

The project objective is to supply drinking water in the provinces of Chefchaouen, Azilal, Kénitra and Settât and waste water drainage in three towns of the Khouribga province. Sustainably improving drinking water supply in the rural area and improving the management of waste water in the medium and small urban centres.

## Description

The project’s main components include:

- Providing access to drinking water to the rural population (production and supply);
- Providing drinking water supply and managing waste water in the rural area;
- Providing waste-water drainage in the towns of Khouribga, Oued Zem and Boujaâd;
- Technical assistance and support for project implementation.

## Expected Outcomes

The project aims at:

- Increasing water flow at the treatment plant; and
- Increasing availability and ensuring sufficient provision of good quality resources.





# Tenth Drinking Water Supply and Sanitation Project



<b>ADB Loan Amount</b>	UA 64.73 million
<b>Co-financiers</b>	Kingdom of Morocco/National Drinking Water Authority
<b>Approval Date</b>	November 2008
<b>Expected Completion Date</b>	December 2013
<b>Location</b>	Taounate, Khénifra, Settât, Marrakech, Tamesna and other neighbouring rural centres
<b>Executing Agency</b>	National Drinking Water Authority

## Background and Objective

In Morocco, the supply of drinking water has always been a major issue of concern for the population because of the variable climate characterised by years of drought. Socio-economic conditions of water use have changed significantly over the past few decades on account of rapid population growth, continuing improvement in living conditions, rapid urbanisation and industrial development. This socio-economic change has led to a huge rise in demand for drinking water and accentuated regional diversities. Very few areas have adequate purification and raw wastewater is released directly into the natural environment (seas, rivers, wadis, nature, pits), polluting the groundwater table and depleting water resources that can be used to supply drinking water to the population.

The project was designed based on the priority needs adopted by the National Drinking Water Authority in its 2008-2010 investment plan. It is consistent with the Bank's strategy which aims at making drinking water accessible to all the populations of its regional member countries and backing socio-economic development projects in neglected areas.

The specific objective is to reinforce the drinking water supply to the towns of Taounate, Khénifra, Settât, Marrakech, Tamesna (Rabat Casablanca coastal zone) and to the linked urban and rural centres that are witnessing significant urban and tourist development.

## Description

The project's main components include:

- Reinforcing drinking water supply systems;
- Providing technical assistance and supporting project implementation.

## Expected Outcomes

The project intends to:

- Secure and reinforce the drinking water production systems;
- Increase access to drinking water increased for the rural population;
- Carry out the extension of the Marrakech and Taounate treatment plants;
- Carry out the extension of water intake of the Khénifra treatment plant and the demineralization plant; and
- Separate Settât water supply and pumping facilities.



# National Irrigation Water Saving Program Support Project

<b>ADB Loan Amount</b>	€ 53.59 million
<b>Co-financiers</b>	Kingdom of Morocco/MAPM
<b>Approval Date</b>	December 2009
<b>Expected Completion Date</b>	December 2014
<b>Location</b>	Oum Rbia, Moulouya and Loukkos
<b>Executing Agency</b>	Ministry of Agriculture and Maritime Fisheries



The Bank supports the project to foster the new national water strategy and the Green Morocco Plan. The project objective is to ensure rational and positive utilization of irrigation water resources against the backdrop of resource scarcity.

## Description

The project has the following main components:

- Modernization of irrigation water infrastructure;
- Supporting irrigation water development; and
- Project coordination and capacity building.

## Background and Objective

Morocco is a highly water-stressed country, and it is imperative that its increasingly scarce water resources be managed as efficiently and as economically as possible, so as to cope with the high energy costs involved in their mobilization. Such management necessarily entails a positive and sustainable use of irrigation water which accounts for more than 80% of mobilized water resources, with losses often exceeding 50% of the quantity of water drawn.

The national irrigation water saving program, as well as the national water strategy designed in 2009 by the Water and Environment Secretariat, provide support to the Green Morocco Plan which aims at making agriculture a national growth engine. The project will intervene in three water basins: two with high water stress levels: the Oum Rbia and the Moulouya; and the selection of the third basin, Loukkos. The selection of the third location was based on the need to offset the imbalance between cost of energy and the relatively low levels of development.

## Expected Outcomes

The project intends to:

- Increase the proportion of productive water;
- Develop land for increased localized irrigation (increasing agricultural products, consolidate regional balance, generate local jobs etc);
- Improve access to technical packages, agricultural services and guaranteed financing;
- Mitigate the negative impacts of climate change, reduce energy and demand; and
- Promote the provision of efficient institutional support to various stakeholders.

# Ongoing technical assistance and economic sector works in Morocco



Project name	Sector	Approval date	Amount in million
Technical Assistance for the Ministry of Health's Information System	Social	December 2008	UA 0.584
Study for artificial recharge of groundwater in Haouz	Water Supply and Sanitation	January 2009	UA 1.7
Technical assistance program to protect and safeguard the southern Morocco's oases	Water Supply and Sanitation	May 2009	UA 0.49









# Tunisia



Membership year	1964
Start of lending operations	1968
Number of ADB operations approved, 1967-2009	100
Cumulative Bank Group Approvals in UA million, 1967-2009	4156.4
Subscribed capital (%) as of December 31, 2009	1.398
Total voting power (%) as of December 31, 2009	1.397
Total lending under the ADB window, 2005-2008 (%)	12
Number of ongoing operations*	10
Total loan amount of ongoing operations in UA million*	764.7
Number of newly approved operations	3
Total loan amount of newly approved operations in UA million	266.4

\* These figures do not include the eleven grant-financed economic & sector work studies, approved in 2009 for a total amount of UA 6.6 million.

## Tunisian Republic

### Key Features

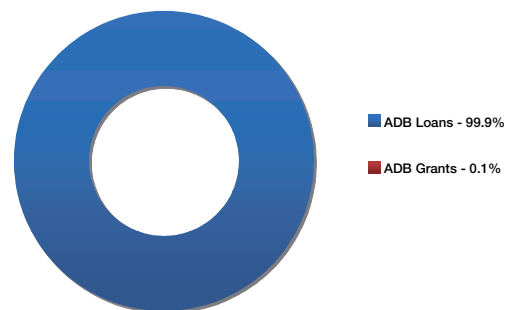
Tunisia is situated in the far north-eastern part of Africa, at the centre of the Mediterranean basin. The country has a surface area of 164,000 km<sup>2</sup>, a smooth topography and a hydrographic network composed essentially of the Medjerda and Meliane wadis. Endowed with few natural resources, Tunisia has based its development on human capital. Tunisia is a Middle Income Country and has registered an average annual growth rate of 4.9% in 2000-2008.

Tunisia is expected to achieve all of the Millennium Development Goals by 2015. The overall poverty rate in this country of approximately 10 million inhabitants was 3.8% in 2007, as compared to 4.2% in 2000 and 6% in 1990. Studies have shown that growth contributed to the decline in poverty from 1980 to 2000. The government also played a role through social transfers, which in 2007 amounted to 58.8% of the budget (19% of GDP). This sustained effort has brought improvement in household living conditions, particularly in rural areas.

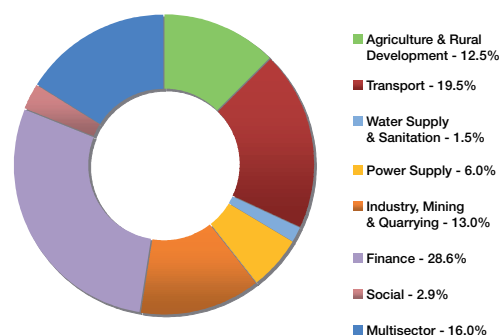
Unemployment has declined from 15% in 2001 to 14.2% in 2008. Furthermore, the government is advocating increased flexibility and a better match between the education and training system and the needs of the market, with skilled labour being steered to sectors with high employment potential, such as various forms of engineering, information and communication technologies and applied languages. It also aims to simplify the legislation on business creation to encourage entrepreneurship among young graduates.

Health care is accessible to all at a reasonable price and health and social security indicators improved in 2007 over 2006: life expectancy at birth rose from 73.6 to 74.0 years, and the coverage of salaried employees by the various social security systems rose from 90.4% in 2006 to 91.9% in 2007. Similarly, infant mortality declined from 21.1 to 19.8 per 1,000 live births. In addition, the family planning programs launched in the 1960s have helped to control the birth rate, which stands at 19 per 1,000

**Cumulative Bank Group Loans & Grants by Institution in Tunisia (1968-2009)**



**Cumulative Bank Group Loans & Grants by sector in Tunisia (1968-2009)**



inhabitants and has not changed since 2003. The rate of population growth slowed from 1.08% in 2004 to 1% in 2006, the lowest rate of all Arab and African countries. The rate of HIV prevalence is low (0.1%), allowing Tunisia to concentrate on preventive education and to distribute free treatment to those infected.

## Overview of Bank Group Operations in Tunisia



Tunisia was one of the founding members of the African Development Bank Group in 1964 and is currently the Bank Group's second largest beneficiary of lending, technical assistance and economic and sector works representing 15% of total approvals. Since 1968, the Bank Group has approved 100 operations, for cumulative net commitments of about UA 4,156.4 million. ADB loans account for 99.9% of these operations, followed by 0.1% of ADB grants.

The Bank Group has invested in a number of sectors in Tunisia, broken down as follows. The finance sector comes first with 28.6% of the net commitments, followed by the transport sector at 19.5% and multisector operations 16%. The industry, mining and quarrying sector accounts for 15%, agriculture and rural development sector for 12.5%, power supply sector for 6%, social sector for 2.9% and water and sanitation sector for 1.6%.

### Financial sector

The Tunisian financial sector is characterised by the existence of commercial banks, the Central Bank of Tunisia, off-shore banks, savings banks, stock exchange, leasing companies, investment companies, factoring companies and insurance companies. According to the African Economic Outlook, the international financial crisis has moderately affected Tunisia's financial sector. Housing loans account for less than 10% of all loans; Tunisia's financial institutions also hold a very low proportion of foreign assets and do not employ the techniques that caused the crisis such as instruments that dissociate the real and financial spheres like securitisation and structured products.

On the Tunis stock exchange, the share of market capitalisation held by non-Tunisians is only about 25%, and US investments in Tunisia are very small. In addition, the central bank has undertaken measures to reduce


exposure to the global crisis by reducing the share of financial investments placed with international banks from 75% of total reserves before the crisis to 39% in November 2008, and stopped drawing on the international financial markets until the end of 2009. The resources required to cover the 2009 budget of TND 17.2 billion was raised exclusively from the local market and international financial institutions.

The Bank Group has so far approved 35 operations in the financial sector. Over the years, the AfDB has provided lines of credit to financial institutions to build capacity to finance efforts by small and medium-sized enterprises diversify their sources of finance and improve their management and efficiency.



### Transport Sector

In view of the important role the transportation sector plays in the economic and social development process and as support to the strategy to integrate into the global economy, the Tunisian government embarked upon an ambitious program aimed at establishing an efficient transport system and high quality infrastructure for the 1997-2006 period, covering its 9th and 10th national development plans.



With regard to road infrastructure, major rehabilitation and modernization projects of the classified road network were implemented over the 1997-2006 period. These projects have improved the level of service of the road network by building its capacity and reducing the proportion of roads with carriageway widths of less than 7 metres, from 70% to below 40%. The Bank participated in the financing of these projects by granting five loans for a total cumulative amount of UA 459.5 million. In effect, this helped rehabilitate 1,700 kilometres of roads, while reinforcing a cumulative length of 850 kilometres of roads, and building 88 highway structures spread over the classified road network.

Since 2006, the Bank has further approved two projects: Route V and Enfidha Airport project. These infrastructure projects are expected to improve trade links, exports and tourism, thereby boosting the Tunisian economy and improving its resilience.



## Agriculture sector

According to the 2009 AEO, the agricultural sector grew at 2.8%, as a consequence of measures taken to cope with the surge in cereal prices. These measures involved increasing output by raising cereal prices by over 20%; easing lending criteria and providing free irrigation water to cereal producers in irrigated public areas; encouraging farmers to increase cereals hectareage and yield per hectare, and establishing new contact centres allowing them to address their concerns; and expanding scientific research on varieties of cereals and pulses resistant to drought and disease.

Agriculture plays an important role in Tunisia's economy, but its development is still limited due to the lack of arable lands and water. The sector is still highly reliant on weather patterns. In view of these constraints, the government developed plans to mobilise water resources and

construct dams and man-made lakes, as well as soil and water preservation works.

The Bank has completed three integrated agricultural development projects at Gabès, Gafsa and Kasserine, as well as three lines of credit operations to the National Agricultural Bank, and has maintained funding for the Kairouan integrated agricultural development projects. The agricultural projects have made it possible to cope with national development challenges, notably the need to enhance the efficiency of irrigation infrastructure and the use of salty or brackish water, the need for soil and water conservation; and the development of farmers' cooperatives capacity. These actions will be consolidated by the Water Sector Investment Project, approved in December 2008, and a support grant to Agricultural Development Groupings. In sum, the Bank Group's cumulative contribution to the agricultural and rural development sector is, to date, UA 518.56 million.

## Energy sector

In 1996, the Tunisian government introduced a sector liberalisation policy, which included the opening of electricity generation to private operators. Since then, the sector has evolved and various public enterprises and private companies have been assigned appropriate roles. There are about 40 international private oil companies, such as British Gas Tunisia which, since 1995, has been exploiting off-shore natural gas fields in the Gulf of Gabes, possessing an exploration licence for hydrocarbons. Other independent electricity generators include the Carthage Power Company, which owns the 471 MW station in Rades II in Tunis, and the El Bibane Electricity Company that owns the 27 MW station in the Zarzis port area in the southern part of the country.

The Bank Group has had regular operations in Tunisia's energy sector. To date, the Bank Group's total net commitments in the sector amount to UA 207.31 million. Bank Group operations helped to improve rural and urban living conditions, increasing the country's rural electrification rate from 6% in 1976 to 95% in 2002, and the national electrification rate from 37% to 96% in the same period.

## Overview of Bank Group Operations in Tunisia



Closely aligned with the Tunisian government's Eleventh Development Plan, the Bank Group for the period 2007-2011 has identified three priority assistance pillars: strengthening macro-economic policies and accelerating reforms; modernizing infrastructure and strengthening the productive sector to ensure sustainable development; and consolidating human capital. The mid-term review of the strategy in 2009 maintained the same strategy for the remaining period 2009-2011.

With regard to strengthening macro-economic policies and accelerating reforms, the cautious fiscal and monetary policies undertaken by the government have secured macro-economic stability and earned the confidence of foreign investors. The Tunisian government has divested 216 public and semi-public enterprises since the privatization program was launched in 1987. These disposals brought in TND 5.8 billion, of which approximately 90% was in the form of foreign investment. Part of the proceeds from privatisation were used to pay down the debt, reducing the public debt ratio from 53.7% of GDP in 2006 to 45.1% in 2008, with a further decline to 44.7% projected in 2009.

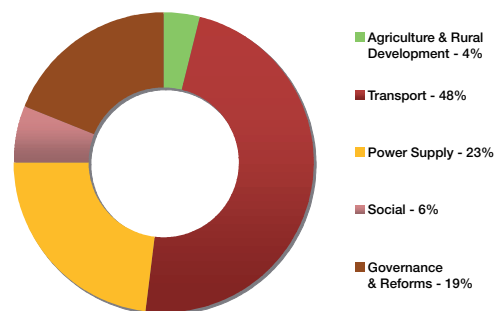
For the second pillar, transport sector planning is under way for two regional projects: the Maghreb motorway and the feasibility study for the Maghreb high-speed train connecting Tripoli to Casablanca via Tunis and Algiers. At the national level, a 152-kilometre motorway from Sfax to Gabès is to be built. The Enfidha airport, 75 kilometres south of Tunis, will begin operating in 2010 with an annual capacity of 7 million travellers and projected annual revenues of US\$ 67 million. In addition, the deep-water port should be completed in 2023 and 2,000 hectares will be set aside for a large business park. A US\$ 25 billion building complex is planned on the shores of the Lake in the Southern suburbs of Tunis, and another (Bled El Ward, US\$ 10 billion) in the Northern suburbs of Tunis. The Tunis sports complex is scheduled for completion in 2015. Tunisia is also undertaking reforms to support trade liberalisation with the European Union.

Regarding the consolidation of the human capital pillar, the country's education budget, which includes higher education, is the largest item in the overall budget (28% of central government's current expenditure), and it has been so for many years. The enrolment rate is 97.3% at the primary level and 83.2% in secondary education.

As of December 31, 2009, the ongoing portfolio comprised 10 operations which amount to net commitments of UA 764.7 million. Active operations are dominated by infrastructure projects which consist of 70.5% of the entire portfolio. In 2009, the Bank approved 3 operations for a total amount of about UA 266.4 million (Enfidha airport project, the electricity transmission systems project, integration, and support program).

The Bank is actively getting involved in assessment activities, with the conduct of economic and sector works and technical assistance. In 2009, 11 economic and sector works were approved amounting to UA 6.607 million. In particular, the Bank has financed studies in the water and sanitation sector, private sector and health sector. The Bank also continues to support the government in its efforts to undertake impact assessments of the lines of credit and competitiveness studies in order to inform economic reforms. These studies will allow the Bank to consolidate its dialogue with the Tunisian government.

**Structure of the current portfolio by sector in Tunisia**







# Classified Road Network Rehabilitation Project

## Phase IV



<b>ADB Loan Amount</b>	UA 136.14 million
<b>Co-financiers</b>	Government of Tunisia
<b>Approval Date</b>	November 2004
<b>Expected Completion Date</b>	December 2011
<b>Location</b>	All of the country's 24 Governorates
<b>Executing Agency</b>	Ministry of Equipment, Housing and Regional Development, General Directorate of Highways

## Background and Objective

Road transport is an important transportation mode in Tunisia, with an average density of 70lm/km<sup>2</sup> and 12,600 km of paved roads, the national classified road network serves all of the country's Governorates and links the country to neighbouring countries. This network accounts for virtually all movements of persons and 80% of goods transportation.

In view of the important role of the transport sector in the economic and social development process and as support to the strategy to be part of the global economy, the Tunisian government embarked on an ambitious program aimed at establishing an efficient transportation system and high quality infrastructure for the 1997-2006 period (covering the 9th and 10th Plans).

The Bank participated in the financing of these projects by granting five loans of a total cumulative amount of UA

459.5 million, thereby helping to rehabilitate 1,700 km of roads, reinforce a cumulative length of 850 km of roads, and build 88 highway structures spread over the classified road network.

Specifically, the project's objective is to reduce transportation costs and promote trade development between the regions concerned.

## Description

The project comprises the following components:

- Clearing road rights-of-way and displacing concessionary networks;
- Rehabilitating classified roads in three successive phases;
- Supervising and monitoring works by the Administration;
- Controlling geotechnical works by the CETEC ; and
- Procuring utility vehicles for control or maintenance works and supervising classified road network.

## Expected Outcomes

The project intends to:

- Rehabilitate the capacity of roads built in terms of condition of carriage way structures and their size.



## Enfidha Airport

<b>ADB Loan Amount</b>	€ 70 million
<b>Co-financiers</b>	TAV Tunisia, IFC, EIB, Proparco, OPEC, Commercial Banks, Tunisian Government & Monastir Airport operations
<b>Approval Date</b>	January 2009
<b>Expected Completion Date</b>	March 2010
<b>Location</b>	Enfidha and Monastir
<b>Executing Agency</b>	TAV Tunisia

### Background and Objective

The Tunisian government's 2007-2011 Eleventh Economic and Social Development Plan details the country's strategy to modernise its infrastructure sector. The authorities believe that this will lead to an improvement in trade links, export and tourism sectors thereby boosting the country's GDP and resilience of the economy.

In line with this, Tunisia is upgrading and expanding its airport infrastructure and in 2007 awarded two Build, Operate and Transfer concessions to TAV Airports of Turkey: (i) to upgrade/maintain and operate the existing Monastir Airport, and (ii) to build, operate, and maintain

a new airport at Enfidha, which is about 100 km south of Tunis and 60 km from Monastir Airport.

The Bank has approved a senior loan of € 70 million, with a maturity of 20 years for this project. The project's primary objective is to remove capacity constraints on Tunisian airport infrastructure by constructing and operating a new International Airport at Enfidha.

### Description

The project comprises the:

- Construction, operation, and maintenance of the new Enfidha Zine El Abidine Ben Ali International Airport; and
- Operation and maintenance of the existing Monastir Airport.

### Expected Outcomes

The project intends to:

- Improve service quality, safety and security standards;
- Provide better value proposition for tourists;
- Increase government direct revenues; and
- Create jobs.





# Railway Infrastructure Modernisation (Phase II)

<b>ADB Loan Amount</b>	UA 60.66 million
<b>Co-financiers</b>	Government of Tunisia
<b>Approval Date</b>	December 2003
<b>Expected Completion Date</b>	June 2010
<b>Location</b>	Northeast, Northwest, Centre-East, and Southeast and Southwest Regions of Tunisia
<b>Executing Agency</b>	The Tunisian National Railways Company



The project's implementation is also in line with the Bank's assistance strategy in Tunisia for the 2002-2004 period, whose operational thrust in the transportation sector is the continuation of the economic infrastructure strengthening and upgrading program to enhance the country's competitive production and service ability in the face of market globalisation and the need to open up to Europe.

Specifically, the primary objective of the project is to improve the efficiency and quality of railway services through time gains and improved comfort and safety.

## Description

The project has two components, namely:

- Institutional studies; and
- Physical infrastructure modernisation investment.

## Expected Outcomes

The project intends to:

- Upgrade railway infrastructure and services;
- Improve time gained on the main lines; and
- Improve the financial performance of the Tunisian National Railways Company.

## Background and Objective

The government drew up a transport strategy for the period 1997-2005, focusing on the implementation of appropriate sector reforms, upgrading infrastructure and integrating various transportation means. The strategy's key objective is to obtain, in the medium-term, an efficient and quality transportation system at the lowest cost. The project's implementation is part of efforts to improve competitiveness, by upgrading railway infrastructure and rationalizing transportation management costs.

## Road Project V



<b>ADB Loan Amount</b>	UA 162.50 million
<b>Co-financiers</b>	Government of Tunisia
<b>Approval Date</b>	May 2008
<b>Expected Completion Date</b>	December 2013
<b>Location</b>	All 24 of the country's Governorates, with the exception of Kasserine, Gafsa, Kebili, Tataouine and Tozeur
<b>Executing Agency</b>	Ministry of Equipment, Housing and Regional Development, General Directorate of Highways



### Background and Objective

Roads are an important mode of transport in Tunisia, with an average density of 70lm/km<sup>2</sup> and 12,600 km of paved roads, the national classified road network serves all the Governorates of the country and provides links with neighbouring countries. This network accounts for virtually all movements of persons and 80% of the transportation of goods.

In view of the important role the transport sector plays in the economic and social development process and as support to the strategy to integrate into the global economy, the government embarked on an ambitious program aimed at establishing an efficient transport system and high quality infrastructure for the 1997-2006 decade (covering the 9th and 10th Plans).

The Bank participated in the financing of these projects by granting five loans of a total cumulative value of UA 459.5 million, thereby helping to rehabilitate 1,700 km of

roads, reinforce a cumulative length of 850 km of roads, and build 88 highway structures spread over the classified road network.

To further consolidate these achievements the project will also upgrade the road infrastructure with a view to ensuring a safer, more efficient, high quality transport system. Specifically the project's objective is to improve the level of service of the classified road network so as to intensify intra and inter regional trade and improve the accessibility of the country's principal development poles.

### Description

The project comprises four main components:

- Developmental road works to be carried;
- Rehabilitation works;
- Strengthening works; and
- Constructions works.

### Expected Outcomes

The project intends to:

- Rehabilitate the capacity of roads built in terms of condition of carriage way structures and their size.



# Electricity Distribution Networks Rehabilitation Project (Electricity VII)



<b>ADB Loan Amount</b>	UA 61.20 million
<b>Co-financiers</b>	Government of Tunisia/Tunisian Electricity and Gas Company
<b>Approval Date</b>	December, 2003
<b>Expected Completion Date</b>	September, 2010
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Tunisian Electricity and Gas Company

## Background and Objective

Since the early 1990s, Tunisia has witnessed sustained growth of 5% per annum in power demand. This development stems from the growth of the productive sector, social development and new consumer demands following the improvement of household living standards. This has led to the saturation of part of the existing power distribution system and the deterioration in service quality in some areas.

The Bank's strategy in Tunisia is closely linked to the thrusts of the 10th Plan which is the cooperation framework between Tunisia and its development partners from 2002-2006. The plan's energy sector objectives are in line with the country's energy policy which aims to diversify and protect supplies, reduce the energy bill and promote the rational use of energy.

The project's objectives are to (i) improve food security, customer service quality, the security of the Tunisian

Electricity and Gas Company staff and third parties, environmental preservation and (ii) to control the distribution network operating cost. It will also enhance the performance and reliability of the power distribution network.

## Description

The project comprises the following major components:

- Construction of new infrastructure;
- Rehabilitation of the Medium Tension networks;
- Rehabilitation of the Low Tension networks;
- Procurement of equipment, and resources for studies and operations; and
- Engineering designs, works supervision and monitoring.

## Expected Outcomes

The project intends to:

- Reduce energy production costs;
- Reduce the number and duration network failure;
- Reduce undistributed power;
- Reduce the number of accidents; and
- Increase customer connection.



# Electricity Distribution Networks Rehabilitation and Restructuring Project

<b>ADB Loan Amount</b>	UA 42.34 million
<b>Co-financiers</b>	Government of Tunisia/Tunisian Electricity and Gas Company
<b>Approval Date</b>	July 2009
<b>Expected Completion Date</b>	November 2012
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Tunisian Electricity and Gas Company



## Background and Objective

Since the early 90s, Tunisia has witnessed sustained growth of 5% per annum in power demand. This development stems from the growth of the productive sector, social development and new consumer demands following the improvement of household living standards. This has led to a saturation of part of the existing power distribution system and deterioration in service quality in some areas.

The Bank's strategy in Tunisia is closely linked to the thrusts of the 11th Plan which is the cooperation

framework of between Tunisia and its development partners from 2007-2011. The plan's energy sector objectives are in line with the country's energy policy, which aims to diversify and protect supplies, reduce the energy bill and promote a rational use of energy.

The objective of the Electricity Distribution Networks Rehabilitation and Restructuring Project is to make cuts on fuel spending by reducing losses in the distribution system.

## Description

The project includes:

- Constructing distribution networks;
- Strengthening STEG's technical resources; and
- Managing the project.

## Expected Outcomes

The project intends to:

- Improve the service quality;
- Save energy; and
- Reduce the environmental impact of electricity distribution.

# Integrated Agricultural Development Project for Kairouan (IADP)



<b>ADB Loan Amount</b>	UA 14.713 million
<b>Co-financiers</b>	Government of Tunisia, Beneficiaries, Micro credit Associations
<b>Approval Date</b>	March 2006
<b>Expected Completion Date</b>	December 2013
<b>Location</b>	Governorate of Kairouan
<b>Executing Agency</b>	Commissariat Régional au Développement Agricole de Kairouan – Kairouan - Tunisia

## Background and Objective

In spite of Tunisia's substantial investments in the agricultural sector, part of its rural population continues to live on low incomes. Part of the government's strategy within the framework of its 10th Five-Year Development Plan (2002-06) was to target these rural farmers with a view to improving their income and living conditions.

The Bank Group has funded the implementation of five rural integrated development projects in Tunisia, similar to the envisaged project (the Mahdia Rural Development Project, Phases I & II; the Gabès, Gafsa and Kasserine Integrated Agricultural Development Projects). This cooperation has allowed the Bank to acquire extensive experience in the design and implementation of rural integrated development projects.

The specific objective of the project is to promote sustainable agricultural development through rural infrastructure development, participatory agricultural development, and capacity building for administrative services and beneficiary organizations.

## Description

The project includes:

- Developing rural infrastructure which will involve building access roads, laying down water supply networks,

creating irrigated perimeters, constructing soil and water preservation works and forestry works;

- Developing agricultural which will allow direct investments in farms; and
- Building capacity to strengthen administrative services and beneficiary organizations.

## Expected Outcomes

The project intends to:

- Reduce poverty in the project area;
- Increase in market garden produce;
- Increase in fruit production;
- Increase in production of meat and of milk; and
- Improve the management of natural resources.



# Water Sector Investment Project Phase 2 (PISEAU II)

<b>ADB Loan Amount</b>	€ 22.91 million
<b>Co-financiers</b>	AFD, WB, Various grants, Government of Tunisia
<b>Approval Date</b>	March 2008
<b>Expected Completion Date</b>	December 2013
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Ministry of Agriculture and Water Resources

## Background and Objective

PISEAU II implements the second component of the Tunisian Water Mobilization and Management Strategy 2002-2011, and it is a follow-up on PISEAU I implemented from 2002-2007. PISEAU II extends and consolidates the achievements of PISEAU I by giving priority to interventions in remote regions where poverty is rampant.

The PISEAU II aims at promoting efficient and integrated management of both conventional and non-conventional water sources thereby enabling Tunisia to meet the challenge of safe water scarcity in the country. The aim is to make the project a tool for managing water scarcity by enabling beneficiaries participate in the management of resources and infrastructure, as well as by promoting appropriate tariff systems.

## Description

The project will be implemented through the following activities:

- Developing and strengthening irrigation management in the project area;
- Establishing and rehabilitating drinking water supplies;
- Developing underground water management;
- Establishing and monitoring an environmental protection system; and

- Developing institutions and building capacity to implement various research activities.

## Expected Outcomes

The project intends to:

- Promote sustainable use of irrigation infrastructure;
- Increase drinking water access and use by rural communities; and
- Support investment decisions which will be informed by the data generated through improved monitoring systems.





# Integration Support Program (PAI)

<b>ADB Loan Amount</b>	US\$ 250 million
<b>Co-financiers</b>	World Bank, European Union
<b>Approval Date</b>	April 2009
<b>Expected Completion Date</b>	December 2011
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Ministry of Development & International Cooperation

## Background and Objective

Since the mid-1990's, the government has given new direction to its integration policy by starting to open up the Tunisian industry to competition, particularly within the framework of the Partnership Agreement with the EU, the country's leading economic partner. The dismantling of tariffs, creation of the free-trade zone for industrial products and its accompanying policies, as well as the rapid development of an offshore sector have contributed to the development and the transformation of the Tunisian economy.

In spite of these successes, serious challenges remain. The assessment of the 10th Plan 2002-2006 reveals that apart from the mechanical and engineering industries, there are some difficulties regarding value added in agriculture, textile, leather and tourism. In short, the country has to speed up these structural reforms in order to shift from a relatively low salary and labour intensive economy to one of knowledge and technology.

The Bank implemented three similar satisfactory programs between 1999 and 2007. The project is complementary to these programs. The project aims at macro-economic stability, trade integration and improvement of the financial sector and business environment. The project should build a platform of structural reforms that will contribute to the success of

other operations under the government's program. The program's specific objective is to foster better integration into the global economy.

## Description

Based on lessons from previous similar programs, the PAI implementation, the project seeks:

- Constructive dialogue on reforms and proper ownership of the reforms;
- Close collaboration with other donors in the formulation and implementation of reforms; and
- The adoption of measures necessary to achieve government objectives.

## Expected Outcomes

The overall expected outcomes from 2009 to 2010 include:

- Reduced transaction costs and deepening of trade integration;
- Improved business environment; and
- Improved access to financing.



# Secondary Education Support Project Phase II (SESP II)

<b>ADB Loan Amount</b>	UA 50 million
<b>Co-financiers</b>	Government of Tunisia
<b>Approval Date</b>	September 2005
<b>Expected Completion Date</b>	January 2012
<b>Location</b>	Nationwide
<b>Executing Agency</b>	General Directorate of Common Services in the Ministry of Education and Training

## Background and Objective

The Tunisian government has made education the focus of its development strategy in order to build human capital which is indispensable to competitiveness in a context of globalization and the knowledge economy. Such emphasis on education was reaffirmed in an education system reform program adopted in 2002 and entitled "The School of the Future", 2002-2007. This program, bolstered by the 2004-2009 presidential program, provides for a set of concrete actions that should enable the educational system to efficiently address economic and social needs.

The Bank Group had previously, financed two educational sector operations in Tunisia, namely: the Scientific and Technical Education Reinforcement Project completed in 1995 and the Secondary Education Support Project (SESP I). This project will therefore consolidate the gains of past operations financed by the Bank and the country's other development partners. The specific objective of the project is to help increase the intake capacity, relevance and quality of basic and secondary education.

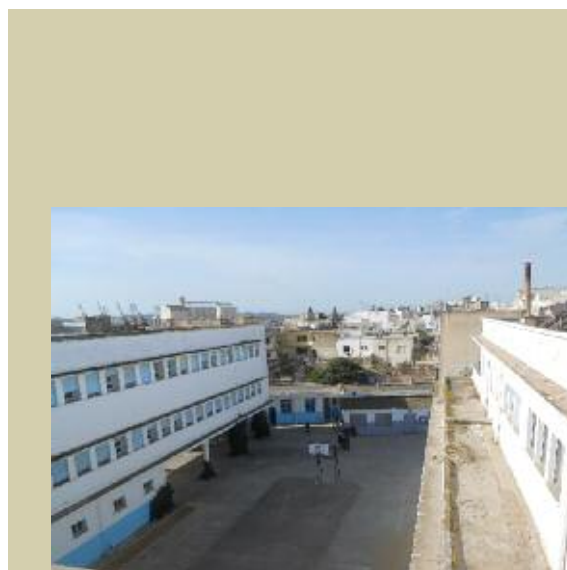
## Description

The combined activities of the project components will ensure harmonious development and will improve the quality and relevance of the educational system, in accordance with the national development plan.

## Expected Outcomes

The project intends to:

- Promote access and equity in 2nd cycle basic education and in secondary education;
- Enhance the quality and relevance of 2nd cycle basic and secondary education;
- Consolidate the management and monitoring/evaluation framework and school system mechanisms; and
- Support project management.



## Tunisia- Ongoing Technical Assistance and Economic Sector Works



Project name	Sector	Approval date	Amount in million
Zarat Seawater Desalination Study	Water Supply and Sanitation	May 2009	UA 0. 614
Water Supply Improvement Study in the rural areas of the Bizerte and Beja Governorates	Water Supply and Sanitation	September 2009	UA 0.460
Flood protection study in the Northern and Eastern Areas of Greater Tunis	Water Supply and Sanitation	October 2009	UA 0. 580
Strategic Water Sanitation Study for 80 municipalities of under 10,000 inhabitants	Water Supply and Sanitation	October 2009	UA 0. 575
Agricultural Clusters Strengthening Program Support Project	Agriculture	October 2009	UA 0. 587
Health Services Export Strategy Study	Social	October 2009	UA 0. 527
Study on Emerging and Re-emerging Diseases	Social	November 2009	UA 0. 600
Tunisian Institute for Competitiveness and Quantitative Studies Support Project	Multisector	December 2009	UA 0.199
Performance Evaluation of the Micro-Credit System managed by the “Banque Tunisienne de Solidarité” (BTS).	Financial	December 2009	UA 0.140



# Chapter 4

## Regional Activities







## Bank Group & Regional Economic Communities in North Africa

Cooperation agreements between the Bank Group and the Arab Maghreb Union (AMU), the Community of Sahel-Saharan States (CEN-SAD) and the Common Market for Eastern and Southern African States (COMESA) were signed in December 2000, in 2002 and in July 1999, respectively. Bank Group support to these regional institutions takes place within the framework of both Bank-wide and sub-region-specific regional integration strategies.

In line with the agreements, the Bank Group provides support to these regional bodies for multinational and national projects, as well as policy-based operations that promote regional integration in: (i) trade and industry; (ii) infrastructure and services; (iii) investment promotion, monetary harmonization and development finance; (iv) food security, land tenure and agriculture; (v) human resource development, especially, private sector development; and (vi) natural resources management. In addition, these agreements have defined the implementation mechanisms to be used between the two parties. These mechanisms include undertaking joint missions; engaging in dialogue; organizing and conducting research, conferences, symposia, seminars and other meetings; collaborating in the training of professional and technical personnel; participating in resource mobilization and financing for development projects; and conducting other activities, as may be agreed upon, between the Bank and the other party.





# AMU



## **The Arab Maghreb Union**

AMU comprises five Member States: Algeria, Libya, Mauritania, Morocco and Tunisia. The AMU's Constituent Treaty was signed on 17 February 1989 at Marrakech. The main objective of the treaty was to strengthen ties among member states and promote common policies in several domains which will help to establish a regional economic union. At its Third Ordinary Session of the Council of Heads of State held in March 1991, AMU member states adopted a decision concerning "The Maghreb Development Strategy" aimed to concretize the Union. The strategy, called the RAS-Lanouf Program", is to be gradually implemented in four key phases: the introduction of a free trade zone; the creation of a customs union; the setting up of a common market; and the establishment of an economic community.

## Bank Group Support to the Arab Maghreb Union



Cooperation between the Bank and the Arab Maghreb Union (AMU) Secretariat General was established through a memorandum of understanding concluded between the two institutions in December 2000. The Protocol agreement aims to promote cooperation between the Bank and AMU mainly through: (i) studies, seminars and conferences focusing on regional integration (ii) developing projects and programs supporting integration and (iii) contributing to the training of AMU managers and technicians. The Bank Group has supported the AMU Secretariat with two activities. The first was a study, “The Establishment of a Maghreb Economic Community” financed with a technical assistance grant of UA 285,000 from the Bank Group’s Middle Income Countries Trust Fund (MIC Trust Fund) in April 2007. The second, which emanated from the first study, was an institutional support project to the AMU General Secretariat. The project was approved by the Bank Group in April 2009 for another MIC Trust Fund grant of UA 500,000, and aims mainly at strengthening the technical, institutional capacities of the AMU Secretariat.

The project is ongoing and scheduled for completion at the end of 2010. The expected outcomes include: (i) contributing to efforts at strengthening the internal organization of the AMU General Secretariat, its procedures and staff capacity; (ii) enabling the General Secretariat to better monitor the implementation of various initiatives and plans of actions adopted in the Maghreb; (iii) adopting a modern document digitization and storage system and an economic and social database that will be made available to the public; (iv) helping the General Secretariat to more efficiently preserve official documents of various AMU organs; and (v) helping to build up the capacity of the main Maghreb organs and unions concerning the design and implementation of regional policies and strategies.

In addition to the above grants, the Bank Group has recently approved the financing of two feasibility studies for the AMU General Secretariat, through the NEPAD-IPPF fund. The feasibility studies are: technical feasibility study on the North Africa Broadband network and its securitization, using fiber optic cable (grant of \$ US 418,600); and (ii) harmonization of the legal and regulatory framework for the information & communication technologies sector (grant of \$US 447,140).

The Bank Group is in the process of reviewing a technical assistance grant from the MIC Trust Fund to contribute to the ongoing phase two of the Statistical Capacity Building (SCB) program. The grant will contribute to the ongoing SCB program in Algeria, Libya, Morocco and Tunisia so as to (i) enable them to effectively monitor the Millennium Development Goals and measure results; (ii) strengthen the capacity of AMU Secretariat to coordinate statistical support activities in the countries; and (iii) improve cooperation among AMU member countries.









# COMESA



## **Common Market for Eastern and Southern Africa States**

COMESA was founded in 1994 to replace the Preferential Trade Area (PTA) for Eastern and Southern Africa, created in 1981 as one of the building blocks in the establishment of the African Economic Community.

COMESA presently consists of 22 member states, which are Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.

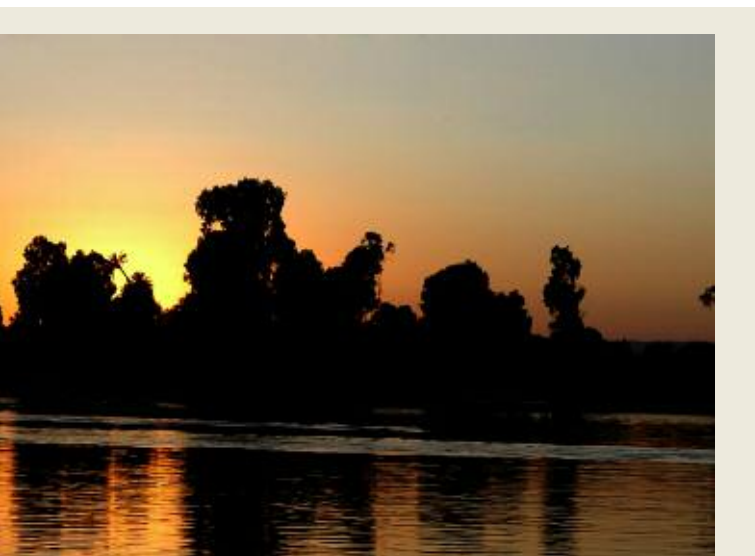
COMESA's establishment created a large integrated market which is enabling member states to share the regions' common heritage thereby allowing for greater social and economic cooperation, with the ultimate goal of forming an economic community. COMESA member states launched a Free Trade Area (FTA) in 2000 aimed at enhancing regional trade. The main aim of the FTA is to ensure the free movement of goods and services produced within COMESA, and the removal of non-tariff barriers. This would provide a stronger integrated market which would more able to attract investment more effectively than the smaller domestic markets.

## Bank Group Support to **COMESA**



Prior to Common Market for Eastern and Southern Africa States (COMESA) establishment, the Bank Group had assisted the Preferential Trade Area for Eastern and Southern Africa, its predecessor, in implementing several regional integration projects and programs with US\$ 4.6 million. These projects and programs included: (i) a roundtable forum for Women in Business; (ii) a feasibility study on the interconnectivity of telecommunications network by satellite and terrestrial links, and the harmonization of tariff structures in telecommunications; (iii) a study on fisheries development; and (iv) a study on irrigation projects. In addition, the Bank Group was one of the co-sponsors of the cross-border initiative implemented during the period in question, which amounted to US\$ 4.6 million.

Since the creation of COMESA in 1999, the Bank Group has supported the group with four multinational projects, namely: (i) a Public Procurement Reform Project; (ii) an Enhanced Procurement Reforms and Capacity Project; (iii) an Agricultural Marketing Promotion and Regional Integration Project; and (iv) a Regional Multidisciplinary Centre for Excellence Project.



### **Public Procurement Reform Project**

In May 2001, the Bank Group provided an ADF grant of UA 1.17 million to COMESA to support its procurement reform program in its member states. The project commenced in May 2002 and was completed in December 2004 after a 30-month implementation period. The main objective of the project was to improve the national procurement systems and harmonize public procurement rules, regulations and procedures in COMESA member states.

In 2006, the project attained three core objectives: (i) it raised awareness on the need to improve governance (economic efficiency, transparency and accountability) in public procurement; (ii) it helped to publish the Baseline Data Diagnostics Survey Report on procurement; and (iii) it brought about the passing of the COMESA Public Procurement Framework Directive by the COMESA Authority (Heads of State and Government), in Khartoum, Sudan, in March 2002. The directive, a direct result of the project, was an important step towards harmonizing procurement systems. Since the approval of the directive, member states have continuously worked on the process of legislative reforms designed to modernize and align their procurement systems to the directive.

### **Enhancing Procurement Reforms and Capacity Project**

Following the completion of the Public Procurement Reform Project, COMESA requested UA 5.66 million in ADF technical assistance from the Bank Group. The request was approved in July 2006 and the resources were used to finance a follow-up project on the Public



Procurement Reform Project. The project was designed as part of Bank Group efforts to contribute to the institutionalization of good governance and facilitate economic cooperation and regional integration among African countries. Its objectives are to: (i) enhance the public procurement systems of COMESA member states by modernizing and harmonizing laws, regulations, and procedures; and (ii) build the capacity of member states to manage modern public procurement systems.

The project is ongoing and expected to be completed at the end of 2010. When completed, it will lead to:

- Public and private sectors that are fully aware of the principles and workings of the national and regional public procurement systems;
- The publication of national procurement laws consistent with the COMESA procurement directive passed under the Public Procurement Reform Project;
- Well-designed procurement training materials and case studies;
- A well trained critical mass of procurement professionals capable of managing modern procurement systems;
- Enhanced capacity at the COMESA Secretariat level to implement COMESA objectives, and monitor compliance of COMESA Directives; and
- Enhanced information technology and human capacity for collection and dissemination of procurement information.

## Agricultural Marketing Promotion & Regional Integration Project

In February 2004, the Bank Group approved an ADF Grant of UA 3.74 million to COMESA which was used to finance an agricultural marketing promotion and regional integration project. The project was co-financed with the COMESA Secretariat (UA 0.605 million) and COMESA member states (UA 1.82 million). The broad objective of the project was to assist COMESA member states address issues such as food, agricultural marketing information, sanitary and phyto-sanitary conditions which are major challenges to member states. Addressing these issues will enhance both intra-and extra-COMESA trade in agriculture.

The project's expected outputs include:

- Improved agricultural marketing information and agribusiness opportunities in COMESA;
- Strengthened agricultural marketing institutions in COMESA member states;
- Improved and harmonized sanitary and phyto-sanitary measures and food safety standards in COMESA;
- Strengthened sanitary and phyto-sanitary institutions in COMESA member states;
- Increased gender impact in the sense that at least 30% of all trainees and workshop participants would be eligible and qualified women.

## Regional Multidisciplinary Centre of Excellence

The Bank Group is currently providing support for the establishment and development of a Regional Multidisciplinary Centre of Excellence project with COMESA and Mauritius, the host country. The Bank Group has approved about UA 200,000 for COMESA from a bilateral Trust Fund which would be used towards the realization of the Centre.







The idea of establishing an Regional Multidisciplinary Centre of Excellence was raised in 2005 at the UN Conference on “Small Island and Vulnerable States,” held in Mauritius. Since then, the concept has developed into a project focusing on capacity building and knowledge improvement in regional integration. A feasibility study on the Centre was conducted by COMESA, funded by the European Commission and executed by the World Bank. The idea was finally endorsed by COMESA at its 24th Council Meeting held in November 2007. The Bank Group and its development partners are focused on turning the centre into a world class training institution for regional economic integration. The Bank has provided support to set up and organize the first steering committee. In addition, the Bank Group has been asked to consider proposals to support the centre in its start-up phase by setting up organizational and management systems. Activities to be supported may include short-term assistance for the preparation of management tools (e.g. the Monitoring and Evaluation framework, financial rules and regulations, procurement rules, web-site) and short-term expertise for the preparation of training curricula. The centre should attain full capacity in 5 years and become self-sustainable in 8 years. The centre is expected to help COMESA member states focus on capacity building and knowledge enhancement in regional

integration. The centre will help to institutionalize capacity building as a permanent function in order to (i) help member states prepare effectively in taking national positions on regional issues and (ii) facilitate the creation of regularly-owned and-harmonized policies and systems dealing with regional issues. The centre will also develop appropriate networks and outsourcing channels to facilitate the comprehensive set of training programs.









# CEN-SAD

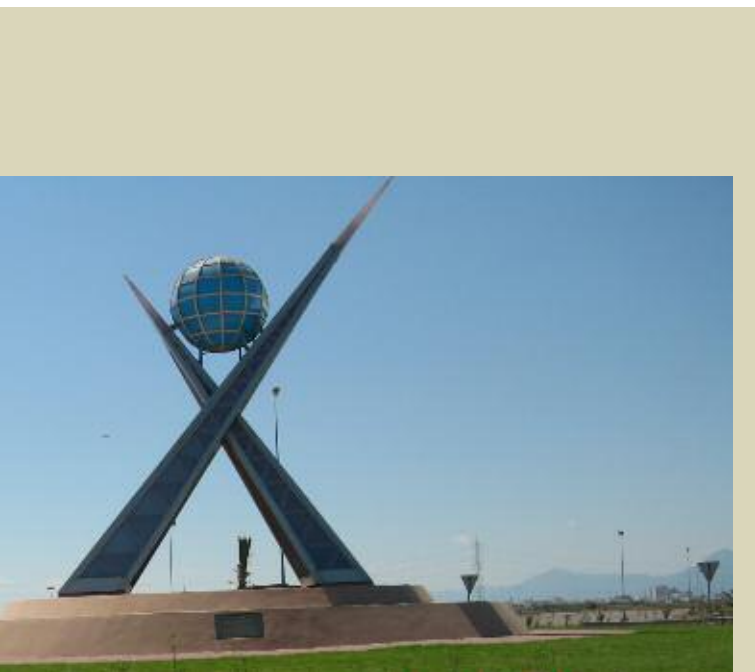


## **The Community of Sahel-Saharan States**

The Community of Sahel-Saharan States was created in February 1998 in Tripoli, Libya. The Community is made up of 28 member states, namely, Benin, Burkina Faso, Central African Republic, Chad, Comoros, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Djibouti, Egypt, Eritrea, Kenya, Liberia, Libya, Mali, Mauritania Morocco, Niger, Nigeria, Sao Tomé-et-Principe Senegal, Sierra Leone, Somalia, Sudan, Togo, and Tunisia.

The CEN-SAD's principal objective is to foster cooperation and the economic development of its member states in the short-to-medium term through the establishment of a free trade area (FTA) and to promote their integration in the long term. Institutionally, CEN-SAD is governed by the following 3 organs: (i) the Conference of Leaders and Heads of State, which is the supreme authority of the institution's organs; (ii) an Executive Board made up of the General Secretaries of Committees and Ministers of Foreign Affairs and Cooperation, Ministers of Economy, Finance and Planning, and Ministers of Internal Security; (iii) the General Secretariat is responsible for administrative matters and monitoring the implementation of decisions taken by the Conference of Leaders and Heads of State. Besides these organs, CEN-SAD has two technical instruments: (i) the Sahel-Saharan Bank for investment and trade whose main aim is to carry out all activities relating to financing economic development and external trade; and (ii) the Economic, Social and Cultural Council whose objectives include providing assistance to CEN-SAD organs in conceptualizing and formulating policies, plans and programs relating to economic, social and cultural issues of member states. These two organs have their headquarters in Tripoli, Libya, and Bamako, Mali, respectively.

## Bank Group Support to **CEN-SAD**



Prior to 2002, relations between the Bank Group and CEN-SAD were limited to the participation of Bank Group representatives in CEN-SAD's Annual Meetings and visits by delegations and the Secretary General of CEN-SAD to the Bank Group's headquarters and the Temporary Relocation Agency in Tunis. However, in 2003, the Bank Group provided technical assistance to CEN-SAD to prepare the Terms of Reference (ToR) for a study to define the conditions for establishing a Free Trade Agreement among the member states of the organization. Following the favorable conclusion of the study, in 2004, the Bank Group and CEN-SAD signed a memorandum of understanding (MoU) which formalized and energized their relations. The MoU focuses on the following areas: (i) the implementation of an agreed action program (ii) the organization of consultations; (iii) the preparation and implementation of studies; (iv) the exchange of data and information; and (v) the pursuit of joint activities.

Against this backdrop, the Bank Group in October 2004 accorded CEN-SAD a grant of UA 100,000 to co-finance a study on the establishment of a Free trade agreement among the member states of the organization with the Nigeria Trust Fund (\$50,000) and the CEN-SAD General Secretariat (\$100,000). The conclusions and recommendations reached at the end of the study were validated at a participatory workshop organized in April 2006 in Tunis by the CEN-SAD Secretary-General with the Bank Group's support.

The study recommended that CEN-SAD should ensure that a free exchange zone be established for member states no later than 2017. In this regard, CEN-SAD is following one scenario among the four scenarios recommended by the study to guide the collective efforts of member states in achieving the following objectives:

- Removing tariffs on intra-community trade;
- Removing non-tariff barriers;
- Developing necessary infrastructure to promote and strengthen trade;
- Creating an enabling environment for private sector development; and
- Settling claims.











# ARGAN Infrastructure Fund

<b>ADB Loan Amount</b>	€ 15 million
<b>Co-financiers</b>	RMA Watanya, Caisse Interprofessionnelle Marocaine de Retraite (CIMR), IFC, Proparco and AFD and EIB
<b>Approval Date</b>	March 2010
<b>Location</b>	Morocco, North Africa (excluding Morocco), and Sub-Saharan Africa, in particular West Africa
<b>Executing Agency</b>	RMA Watanya

## Background and Objective

The lack of infrastructure contributes to Africa's poor economic performance and without significant investment in infrastructure it will be difficult for the continent to make rapid progress. The Bank Group recognises this constraint and through its Medium Term Strategy, emphasizes infrastructure development and private sector development as its priorities, considering the critical role of infrastructure as an enabler of growth and the private sector as a driver for growth.

The Bank's private sector operations strategy does not only prioritize infrastructure development, but also emphasizes the provision of equity capital and support for indigenous fund managers. The Bank therefore seeks to assist RMA Watanya in scaling up its operations that contribute to increase the momentum of investing in infrastructure, thereby creating a platform for growth.

## Description

The Fund will focus on strategic infrastructure projects in its target countries. It will make equity and quasi-equity investments in the following sectors:

- Energy (electricity production, refining, storage and hydrocarbons and gas distribution);
- Port and airport infrastructure, transport and logistics;

- Water and electricity distribution, sewerage, as well as waste management and environmental services;
- Telecommunications; and
- Other industries related to infrastructure (e.g. construction material) and on a case-by-case basis public-private partnerships in the social sector.

## Expected Outcomes

Specifically the project intends to:

- Increase resources mobilised from the private sector to develop infrastructure;
- Increase government revenues; and
- Develop infrastructure.



## Maghreb Private Equity Fund 2 (MPEF 2)

<b>ADB Loan Amount</b>	€ 20 million
<b>Co-financiers</b>	FC, EIB, FMO, SIFEM, BIO, FPMEI, CDC Enterprises-Paris, PROPARCO and AVERROES-Paris and Others
<b>Approval Date</b>	January 2008
<b>Location</b>	Morocco, Algeria, Tunisia, and Libya
<b>Executing Agency</b>	Tuninvest



### Background and Objective

Private sector development is an expressed strategic priority for all Maghreb region countries. Through their medium-term development plans, these countries recognize that micro-, small- and medium-scale enterprises, which form the foundation of the entrepreneurship pyramid in all economies, are necessary to drive economic growth, employment, and export expansion. Private equity funds are one of the key financing instruments to support these country development objectives.

In addition to strongly supporting Maghreb region development strategies, the proposed investment in MPEF 2 is closely aligned with the Bank's institutional strategies and priorities. As a regional fund, MPEF 2 will help to support regional integration, economic growth and private sector development. The Fund is in line with the Bank's private sector operations strategy and business plan for increased equity investments, support

for private enterprises, and smart partnerships with institutions that will promulgate best practices in corporate governance. The project's specific objective is to make equity investments in the form of capital expansion to local firms and SMEs capable of growing into regional players or champions by strengthening selected small and medium enterprises.

### Description

MPEF 2 is a 10-year mid-size fund that will make investments principally in Morocco, Algeria, Tunisia, and Libya. It will target companies capable of becoming regional champions and that are currently generating revenues of between € 5 million and € 50 million. Major sectors will include: manufacturing and agribusiness; packaging; telecom and technology; transportation; petrochemicals & plastic industries; pharmaceuticals; construction materials production; financial services; independent power production units.

### Expected Outcomes

Specifically the project intends to:

- Increase GDP in the region;
- Increase private equity funds;
- Create jobs; and
- Promote regional integration.

## AMU - Ongoing Technical Assistance and Economic Sector Works

Project name	Sector	Approval date	Amount in million
Technical Assistance to Establish the Maghreb Economic Community	Multisector	April 2007	UA 0. 285
Institutional Support Project to the AMU General Secretariat	Multisector	April 2008	UA 0.500
Technical feasibility study for the North Africa Broadband network and its securitization, using fibre optic cable	Communication	November 2009	US\$ 0. 417
Harmonization of the legal and regulatory framework for the information & communication technologies sector	Communication	November 2009	US\$ 0. 447





# Chapter 5

## Staff & Contact Details





## Country Regional Department North 1 (ORNA) Tunis

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